
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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The circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



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 TRANSACTIONS
(1) CRH PMM FRAMEWORK AGREEMENT;
(2) CR BANK STRATEGIC COOPERATION AGREEMENT; AND
(3) CR TRUST STRATEGIC COOPERATION AGREEMENT
AND
NOTICE OF THE EGM

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 5 to 23 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 24 to 25 of this circular. A letter from Maxa Capital Limited, the independent financial adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 43 of this circular.

A notice convening the EGM of China Resources Medical Holdings Company Limited to be held at 14/F, Kunlun Center Office Building, No. 9, Fuyi Street, Fengtai District, Beijing, the People's Republic of China on Thursday, December 29, 2022 at 9:30 a.m. is set out on pages 49 to 52 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of EGM or any adjournment thereof (as the case may be). Please note that Monday, December 26, 2022 and Tuesday, December 27, 2022 are not working days in Hong Kong and the offices of Computershare Hong Kong Investor Services Limited will not be open on these days for physical delivery of the forms of proxy. Completion and return of the form of proxy will not preclude you from attending the EGM or any adjournment thereof (as the case may be) and voting in person if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

December 13, 2022

PRECAUTIONARY MEASURES FOR THE EGM

Shareholders or their proxies who plan to attend the EGM in person are requested to pay attention to and abide by the latest regulations and requirements in relation to epidemic prevention and control (updated from time to time) in Beijing in a timely manner, and take effective personal protection measures. The venue of the EGM will confirm whether it is permissible to enter the venue in accordance with the latest epidemic prevention and control regulations at the time of the meeting (the specific epidemic prevention requirements may be adjusted according to the epidemic situation at the time).

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	24
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	26
APPENDIX — GENERAL INFORMATION	44
NOTICE OF THE EGM	49

DEFINITIONS

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

“2019 CR Bank Strategic Cooperation Agreement”	the strategic cooperation agreement entered into by the Company and CR Bank on November 7, 2019
“2019 CR Trust Strategic Cooperation Agreement”	the strategic cooperation agreement entered into by the Company and CR Trust on November 7, 2019
“2019 CRH PMM Framework Agreement”	the pharmaceuticals, medical devices and medical consumables framework agreement entered into between the Company and CRH on November 7, 2019
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CR Bank”	China Resources Bank of Zhuhai Co., Ltd., a municipal commercial bank headquartered in Zhuhai, in which CRC indirectly holds approximately 70.28% equity interests as at the Latest Practicable Date
“CR Bank Strategic Cooperation Agreement”	the strategic cooperation agreement entered into between the Company and CR Bank on November 18, 2022
“CR Group”	CRH and its associates (other than the Company)
“CR Healthcare”	China Resources Healthcare Group Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of CRH

DEFINITIONS

“CR Trust”	China Resources SZITIC Trust Co., Ltd., in which CRC indirectly holds 51% equity interests and Shenzhen Investment Holdings Co., Ltd. (which is controlled by the State-owned Assets Supervision and Administration Commission of the People’s Government of Shenzhen Municipal) holds 49% equity interests as at the Latest Practicable Date
“CR Trust Strategic Cooperation Agreement”	the strategic cooperation agreement entered into between the Company and CR Trust on November 18, 2022
“CRC”	China Resources Company Limited, a company established in the PRC with limited liability and a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration of the State Council in the PRC, is the ultimate holding company of the Company
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, indirectly owns approximately 36.58% of the issued shares of the Company as at the Latest Practicable Date
“CRH PMM Framework Agreement”	the pharmaceuticals, medical devices and medical consumables framework agreement entered into between the Company and CRH on November 18, 2022
“CRI”	China Resources Inc., a joint stock limited liability company established in the PRC, which is an intermediate holding company of CRH
“Directors(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 14/F, Kunlun Center Office Building, No. 9, Fuyi Street, Fengtai District, Beijing, the People’s Republic of China on December 29, 2022 at 9:30 a.m. for the Independent Shareholders to consider and, if thought fit, among others, approve the transactions contemplated under the New CCT Agreements and the corresponding annual caps
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong and Mr. LEE Kar Chung Felix, all being independent non-executive Directors, to consider the terms of the transactions contemplated under the New CCT Agreements and the corresponding annual caps, and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolutions regarding the transactions contemplated under the New CCT Agreements and the corresponding annual caps
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the New CCT Agreements and the corresponding annual caps
“Independent Shareholders”	Shareholders who will not be required under the Listing Rules to abstain from voting at the EGM
“Latest Practicable Date”	December 7, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“New CCT Agreements”	collectively, the CRH PMM Framework Agreement, CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PMM Items”	pharmaceuticals, medical device, medical consumables and non-medical supply
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	share(s) with a par value of HK\$0.00025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Sponsored Hospital(s)”	the hospital(s) in the PRC whose sponsor is the Company or its subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules



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)

Executive Directors:

Mr. SONG Qing (*Chairman of the Board*)
Mr. CHENG Libing (*Chief Executive Officer*)
Ms. REN Yuan (*Chief Financial Officer*)
Mr. SHAN Baojie

Non-executive Director:

Mr. HU Hui

Independent non-executive Directors:

Mr. WU Ting Yuk, Anthony
Mr. KWONG Kwok Kong
Mr. LEE Kar Chung Felix

Registered Office:

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street, George Town
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Grand Cayman, KY1-1002
Cayman Islands

*Headquarters and Principal Place
of Business in the PRC:*

14/F, Kunlun Center Office Building
No. 9, Fuyi Street,
Fengtai District, Beijing
the People's Republic of China

Principal Place of Business in Hong Kong

Room 2603, 26/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong SAR

December 13, 2022

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) CRH PMM FRAMEWORK AGREEMENT;
(2) CR BANK STRATEGIC COOPERATION AGREEMENT; AND
(3) CR TRUST STRATEGIC COOPERATION AGREEMENT

A. INTRODUCTION

Reference is made to the announcement dated November 7, 2019 and the circular dated December 6, 2019 in relation to, among other things, the entering into of (1) the 2019 CRH PMM Framework Agreement; (2) the 2019 CR Bank Strategic Cooperation Agreement; and

LETTER FROM THE BOARD

(3) the 2019 CR Trust Strategic Cooperation Agreement. As the aforesaid agreements shall expire on December 31, 2022, the Company has entered into the New CCT Agreements on November 18, 2022 whereby the annual caps are also renewed thereupon.

In light of the business needs and the benefits of entering into the New CCT Agreements, the Board proposes to seek the approval of the Independent Shareholders for entering into the New CCT Agreements, the transactions contemplated under the New CCT Agreements and the corresponding annual caps.

The purpose of this circular is to provide you with, among other things, (i) details relating to each of the New CCT Agreements, the transactions contemplated thereunder and the corresponding annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Shareholders and the Independent Board Committee; (iv) the notice of the EGM; and (v) other information under the Listing Rules.

B. NEW CCT AGREEMENTS

The details of the New CCT Agreements are set out below.

(1) CRH PMM FRAMEWORK AGREEMENT

Date: November 18, 2022

Parties: CRH and the Company

Term: From January 1, 2023 to December 31, 2025

Scope of Services

Pursuant to the CRH PMM Framework Agreement, members of the CR Group may supply PMM Items to the Group and the Sponsored Hospitals from time to time. The Group and the Sponsored Hospitals may place purchase orders for the PMM Items with members of the CR Group from time to time and members of the CR Group may sell the products to the Group and the Sponsored Hospitals at a price in accordance with the agreed pricing policy in the CRH PMM Framework Agreement. The details of each purchase order, including price, payment terms and delivery arrangement, are to be separately agreed in accordance with the principles laid down in the CRH PMM Framework Agreement.

Pricing policy and contracting procedures for purchase of PMM Items

The price of the PMM Items under the CRH PMM Framework Agreement shall be determined in accordance with the applicable prescribed price or guided price of those products fixed by the PRC regulators, if applicable. If there is no such prescribed price or guided price for the particular product, the price shall be

LETTER FROM THE BOARD

determined based on market prices and on normal commercial terms or terms no less favourable than those made available to the Group and the Sponsored Hospitals from at least two other suppliers of the same item who are independent third parties.

In accordance with the relevant guiding opinions and implementation notice issued by the PRC regulators in 2015, the procurement of pharmaceutical products by public hospitals and medical institutions in the PRC is subject to a centralized tendering process.

The centralized tendering process (including the price determination mechanism) generally operates as follows:

- (i) Public hospitals and medical institutions in different provinces and cities in the PRC will submit the types of medical and pharmaceutical products and consumables (except for Chinese medicine decoction pieces) required in their ordinary course of business to the centralized procurement platform in the relevant province or region, where the suppliers will submit their bidding prices in respect of the relevant products and consumables.
- (ii) The relevant governmental authority will then determine the selling price of a particular medical and pharmaceutical product or consumable in the relevant province or region by taking into consideration mainly the bidding prices and quality of the product or consumable and the comprehensive capability of different suppliers, and from which supplier(s) the hospitals and medical institutions in that province or region may purchase the product or consumable at such selling price.
- (iii) Due to the nature and operation of the above tendering process, the selling price for the same type of product or consumable may vary across different provinces and regions.

Accordingly, the Group's and/or the Sponsored Hospitals' purchase of PMM Items from members of the CR Group is also subject to such centralized tendering system in the PRC. The parties also negotiate the terms of sales based on the business needs of, and the suitability of PMM Items to, the Group and the Sponsored Hospitals in the ordinary and usual course of business. CR Group, similar to other third party suppliers of PMM Items of the Group, is required to go through the selection and approval procedures adopted by the Group and the Sponsored Hospitals which are based on the aforementioned centralized tendering system as well as the commercial negotiation process in order to become a supplier of the Group and the Sponsored Hospitals. After completion of the centralized tendering process and commercial negotiation, members of the CR Group will supply the PMM Items to the Group and the Sponsored Hospitals on the agreed terms and conditions upon receiving purchase orders specifying the brand, volume and types of products and consumables.

LETTER FROM THE BOARD

Historical annual caps and transaction amounts of 2019 CRH PMM Framework Agreement

The table below sets out the historical annual caps for the three financial years ending December 31, 2022 and also the historical transaction amounts for the two years ended December 31, 2021 and the nine months ended September 30, 2022 under the 2019 CRH PMM Framework Agreement:

	Financial year ended December 31,		Financial year ending
	2020	2021	December 31,
	<i>(RMB million)</i>	<i>(RMB million)</i>	2022
			<i>(RMB million)</i>
Annual caps	1,000.0	1,140.0	1,400.0
			Nine months
			ended
			Financial year ended December 31,
			September 30,
			2020
			2021
			2022
			<i>(RMB million)</i>
			<i>(RMB million)</i>
Historical transaction amounts	417.0	396.0	357.0

The table above sets out the annual caps for the three financial years ending December 31, 2022, which were approved at the extraordinary general meeting of the Company on December 24, 2019.

The utilisation rates of the annual caps for the two years ended December 31, 2021 and the nine months ended September 30, 2022 are 41.7%, 34.7% and 25.5%, respectively. As at the Latest Practicable Date, the corresponding annual cap for the year ending December 31, 2022 has not been exceeded.

LETTER FROM THE BOARD

Annual caps of CRH PMM Framework Agreement and basis of determination

The table below sets out the annual caps of the CRH PMM Framework Agreement for the three financial years ending December 31, 2025.

	Financial year ending December 31,		
	2023	2024	2025
	(RMB million)	(RMB million)	(RMB million)
Annual caps	900.0	1,100.0	1,200.0

The abovementioned annual caps are determined with reference to:

- (i) the total historical transaction amounts as set out above;
- (ii) the expected increase in the procurement of the PMM Items from members of the CR Group when compared with that of years 2020 and 2021 which was principally attributable to:
 - a. the progressively increasing trend of inpatient and outpatient visits of hospitals managed by the Group as follows:
 - i. as at 31 December 2021, the number of inpatient visits of hospitals managed by the Group increased by 28.3% and 11.7% compared with 2020 and 2019, respectively; and
 - ii. as at 31 December 2021, the number of outpatient visits of hospitals managed by the Group increased by 39.9% and 22.8% compared with 2020 and 2019, respectively.

It is expected that the number of inpatient and outpatient visits of hospitals managed by the Group will continue to increase progressively for the three years ending December 31, 2023, 2024 and 2025;

- b. it is expected that the Group's hospital network (including for-profit hospitals and the Sponsored Hospitals) will be further expanded by way of, without limitation, acquisition of hospitals in the next three years, which shall drive demand for PMM Items within the network;
- c. the expected increase in the total purchase amounts of PMM Items by the Group (and the Sponsored Hospitals) from CRH (and its subsidiaries) due to further integration and centralized management of the Group's supply chain, which include centralized re-bidding process for the engagement of suppliers, in the next three years; and

LETTER FROM THE BOARD

- d. a buffer of approximately 5% to 10% per year for the three financial years ending December 31, 2025 to accommodate the possible expansion of the Group's hospital network and any unforeseeable circumstances (including future price inflation).

The average annual total purchase amount of PMM Items of the Group (and the Sponsored Hospitals) for the two years ended December 31, 2021 was approximately RMB3.3 billion, out of which approximately 12% was purchased from members of the CR Group. In view of (i) the increasing trend and the expected steady growth in the number of inpatient and outpatient visits of hospitals managed by the Group, the annual total purchase amount of PMM Items of the Group (and the Sponsored Hospitals) is expected to increase to approximately RMB3.8 billion in the next three years, and assuming members of the CR Group will increase their participation in the bidding of provision of PMM Items in the next three years and the purchase amounts of PMM Items from members of the CR Group will increase according to the most ideal results of the bidding process to the CR Group, which will result in an anticipated increase of the annual purchase amount of PMM Items from members of the CR Group to approximately RMB600 million to RMB700 million; and (ii) the anticipated expansion of the Group's hospital network, coupled with the further integration and centralized management of the Group's supply chain, the annual purchase amount of PMM Items from members of the CR Group is expected to further increase by approximately RMB300 million to RMB500 million.

In view of the above factors, the Board is of the view that the proposed annual caps under the CRH PMM Framework Agreement match its anticipated significant increase in demand for and purchase amounts of PMM Items from members of the CR Group, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(2) CR BANK STRATEGIC COOPERATION AGREEMENT

Date: November 18, 2022

Parties: CR Bank and the Company

Terms: From January 1, 2023 to December 31, 2025

Scope of services

The Group and the Sponsored Hospitals may place deposits with CR Bank and use other financial services and products of CR Bank, including but not limited to, credit services, settlement services, agency services, cash management services, financial advisory services, and other financial services and products as agreed by the parties.

LETTER FROM THE BOARD

Pricing basis

When determining the interest rate for any deposits to be placed by the Group, the Group will obtain and compare quotes of interest rate during the same period, fees and terms from at least three general commercial banks or financial institutions in the PRC (mainly the commercial banks and financial institutions which currently provide services to the Group). The deposits placed with CR Bank shall also bear the same interest rate and shall be on the same terms and conditions as would apply to similar deposits (including but not limited to demand deposits and time deposits) for the same or similar duration made by any other customers of CR Bank, which rates are determined with reference to the rates published by the PBOC or such other preferred rates in the market (for instance, the rates offered by commercial banks in the PRC which are higher than those published by the PBOC).

When determining the price for any financial services and products to be provided to the Group, the Group will obtain and compare quotes of fees and charges and terms from at least two general commercial banks in the PRC. The fees and charges for other financial services and products provided by CR Bank shall be determined by arm's length negotiations between the parties and based on normal commercial terms, and shall not be higher than the fee scales published by CR Bank.

(3) CR TRUST STRATEGIC COOPERATION AGREEMENT

Date: November 18, 2022

Parties: CR Trust and the Company

Terms: From January 1, 2023 to December 31, 2025

Scope of services

The Group and the Sponsored Hospitals may use the services and products provided by CR Trust, including but not limited to, cash management, asset management, factoring services for receivables, advisory and consultation services, bond underwriting services, funds including securities and currency funds, and other trust services.

Pricing basis

When determining the price for any financial and trust services to be provided to the Group, the Group will obtain and compare quotes of fees and terms from at least two financial institutions in the PRC for services for the same or similar duration and of similar risks level. The fees for the financial and trust services and products shall be determined by arm's length negotiations between the parties and based on normal commercial terms and shall not be higher than the fee scales published by CR Trust applicable to its independent customers.

LETTER FROM THE BOARD

Historical annual caps and transaction amounts of 2019 CR Bank Strategic Cooperation Agreement and 2019 CR Trust Strategic Cooperation Agreement

The table below sets out the historical annual caps for the three financial years ending December 31, 2022 and also the historical transaction amounts for the two years ended December 31, 2021 and the nine months ended September 30, 2022 in respect of the maximum (1) daily deposits (inclusive of interest receivable) which may be placed by the Group and the Sponsored Hospitals with CR Bank; (2) daily principal amount and interest in relation to financial products provided by CR Bank and CR Trust; and (3) service fees and commissions payable by the Group and the Sponsored Hospitals for other financial products and services to be provided by CR Bank and CR Trust under the 2019 CR Bank Strategic Cooperation Agreement and the 2019 CR Trust Strategic Cooperation Agreement:

Annual caps	Financial year ended December 31,		Financial year ending December 31,
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) ^(Note)	400.0	400.0	400.0
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank and CR Trust ^(Note)	400.0	400.0	400.0
Maximum service fees and commissions for other financial products and services to be provided by CR Bank and CR Trust	8.0	8.0	8.0

LETTER FROM THE BOARD

Historical transaction amounts	Financial year ended December 31,		Nine months ended September 30,
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) ^(Note)	331.0	334.0	176.0
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank and CR Trust ^(Note)	156.0	50.0	50.0
Maximum service fees and commissions for other financial products and services to be provided by CR Bank and CR Trust	0	0	0

Note: The above maximum daily deposit amount or daily principal amount and interest is applicable for each day during the relevant period, and is calculated on an individual basis remaining as of the end of each day, without aggregating the amount incurred on the days before.

The table above sets out the annual caps for the three financial years ending December 31, 2022, which were approved at the extraordinary general meeting of the Company on December 24, 2019.

The utilisation rates of the annual caps for the two years ended December 31, 2021 and the nine months ended September 30, 2022 for (i) the maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) are 82.8%, 83.4% and 43.9%, respectively, and (ii) daily principal amount and interest in relation to financial products provided by CR Bank and CR Trust are 38.9%, 12.5% and 12.5% respectively. As at the Latest Practicable Date, the corresponding annual caps for the year ending December 31, 2022 have not been exceeded.

Other Information

The Group and the Sponsored Hospitals have from time to time procured loan-related services from CR Bank, where the Group and the Sponsored Hospitals have not been required to provide any security for such loans. As no

LETTER FROM THE BOARD

security over the assets of the Group and the Sponsored Hospitals has been or will be provided for the loans, such loan-related services provided by CR Bank have been or will be fully exempt from compliance with the relevant requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. Accordingly, the interests and fees that the Group and the Sponsored Hospitals paid and are expected to pay for such loan-related services provided by CR Bank are not included in the above historical amounts and the annual caps set out below.

Annual caps of CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement and basis of determination

The proposed annual caps in respect of the maximum (1) daily deposit amount (inclusive of interest receivable) which may be placed by the Group and the Sponsored Hospitals with CR Bank; (2) daily principal amount and interest in relation to financial products to be provided by CR Bank and CR Trust; and (3) service fees and commissions payable by the Group and the Sponsored Hospitals for other financial products and services to be provided by CR Bank and CR Trust, during the term of the CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement, are as follows:

Annual caps	Financial year ending December 31,		
	2023	2024	2025
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) ^(Note)	500.0	600.0	700.0
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank and CR Trust ^(Note)	500.0	600.0	700.0
Maximum service fees and commissions for other financial products and services to be provided by CR Bank and CR Trust	10.0	12.0	14.0

Note: The above maximum daily deposit amount or daily principal amount and interest is applicable for each day during the relevant period, and is calculated on an individual basis remaining as of the end of each day, without aggregating the amount incurred on the days before.

LETTER FROM THE BOARD

The proposed maximum daily amounts for the deposit balance under the CR Bank Strategic Cooperation Agreement are determined taking into account, among other things, (a) the amounts of historical transactions between the Group and the Sponsored Hospitals and CR Bank; (b) the Company's plan to start placing more deposits with CR Bank as part of the Company's plan to improve its cash management and diversify its investment risks which may arise from potential over-reliance on certain banks; (c) the liquidity and need for capital management of the Group and the Sponsored Hospitals; and (d) the anticipated growth in the business of the Group and the Sponsored Hospitals, including the expansion of the Group's hospital network and the further integration and centralized management of the Group's supply chain in the next three years as described above, leading to increase in net cash inflow of the Group and the Sponsored Hospitals which may be deposited with CR Bank.

The proposed (1) maximum daily amounts for the principal amount and interest in relation to financial products to be provided by CR Bank and CR Trust and (2) annual caps for service fees and commissions for other financial products and services to be provided by CR Bank and CR Trust under the CR Bank Strategic Cooperation Agreement and the CR Trust Strategic Cooperation Agreement, are determined taking into account, among other things, (a) the liquidity and need for capital management of the Group and the Sponsored Hospitals; (b) the business needs of the Group and the Sponsored Hospitals; (c) the anticipated need for financial or trust services in relation to potential fund raising activities or other transactions to be engaged by the Group and the Sponsored Hospitals; and (d) the anticipated growth in the business of the Group and the Sponsored Hospitals, including the expansion of the Group's hospital network and the further integration and centralized management of the Group's supply chain in the next three years as described above, leading to increase in net cash inflow of the Group and the Sponsored Hospitals which may be used for purchase of financial services or products from CR Bank and CR Trust.

Financial products and services from CR Bank and CR Trust

The pricing terms of the financial services and products provided by CR Bank and/or CR Trust vary depending on the type and nature of the financial services and products. To the best knowledge and information of the Company, the principal amount and interest in relation to financial products to be provided by CR Bank and CR Trust, and the service fees and commissions payable by the Group and the Sponsored Hospitals for other financial products and services to be provided by CR Bank and CR Trust, are normally determined by CR Bank and CR Trust (as the case may be) by taking into account various factors:

- (i) in relation to the financial products to be provided by CR Bank and/or CR Trust, the amount of principal and interests in relation to such financial products generally depend on the size, nature and quality of the financial products; and

LETTER FROM THE BOARD

- (ii) in relation to the financial services to be provided by CR Bank and/or CR Trust where only service fees and/or commissions are payable by the Group and the Sponsored Hospitals, such service fees and commissions are generally determined and charged by CR Bank and/or CR Trust based on the prevailing market rates for the similar type, nature and quality of financial services at the time of the transaction.

As part of the Group's internal approval and monitoring procedures relating to the transactions with CR Bank, the Group will obtain and compare quotes from at least three other independent financial institutions for similar deposit services (including but not limited to demand deposits and time deposits) for the same or similar duration before it enters into any new deposit arrangement with CR Bank and such quotes, together with the offer from CR Bank, will be reviewed and passed by the Group's internal approval procedures. In addition, the Group will also obtain and compare quotes from, or compare the amount of principal and interests of financial products or service fees offered by, at least two other independent financial service providers before it decides to purchase the financial products or use the financial services (including but not limited to credit services, settlement services, agency services, cash or asset management services, factoring services for receivables, financial advisory and consultation services and other trust services) offered by CR Bank and/or CR Trust.

C. REASONS FOR AND BENEFITS OF THE NEW CCT AGREEMENTS

About CRH PMM Framework Agreement

CRH through its subsidiaries has a long track record of supplying PMM Items in the PRC. A stable and long term procurement arrangement between CR Group, the Group and the Sponsored Hospitals has been in place for a number of years. The cooperation with CRH will help to secure a constant supply of the PMM Items which are essential for the daily operation of the Group and the Sponsored Hospitals. CR Group is currently selected as one of the suppliers of the Group and the Sponsored Hospitals mainly because of, among others, its competitiveness and willingness to offer more favourable commercial terms following arm's length negotiations as compared to other existing suppliers of the Group and the Sponsored Hospitals. In addition, the Group and the Sponsored Hospitals have also considered the fact that CRH is one of the largest pharmaceutical distributors in the PRC with a prevailing market presence in the regions where the Group and Sponsored Hospitals operate, and its capability to offer better pricing and credit terms to the Group and the Sponsored Hospitals when compared with the other existing suppliers. In selecting the suppliers for the Group and the Sponsored Hospitals (whether such suppliers are connected persons or not), the Group and the Sponsored Hospitals are required to go through a stringent selection and approval process involving arm's length commercial negotiations. Members of the CR Group are required to comply with such selection process before becoming one of the suppliers of the Group and the Sponsored Hospitals.

LETTER FROM THE BOARD

The entering into of the CRH PMM Framework Agreement is beneficial to both CR Group and the Group and the Sponsored Hospitals. On the one hand, dealing with reputable customers like the Group and the Sponsored Hospitals can enhance CR Group's reputation and market shares in the pharmaceutical supply industry; on the other hand, the Group and the Sponsored Hospitals can achieve better operating efficiency and economies of scale through dealing with a fewer number of suppliers with better quality like CR Group.

The Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, after considering the advice from Maxa Capital) consider that the CRH PMM Framework Agreement was negotiated on an arm's length basis based on normal commercial terms and in the ordinary and usual course of business of the Group, and the relevant terms and annual caps thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

About CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement

The entering into of the CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement shall enable the Group to enhance its overall liquidity, optimize its utilization of cash and capital, and benefit from greater flexibility in the Group's cash and capital management for generation of better return. Under the strategic cooperation agreements, the Group is not required to exclusively use the deposit services or other financial services and products provided by CR Bank and/or CR Trust. The Group will retain the flexibility and discretion in selecting CR Bank, CR Trust, and/or other independent financial institutions or commercial banks after taking into consideration its business needs and the fees and quality of services and products to be offered.

The Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, after considering the advice from Maxa Capital) consider that the CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement were negotiated on an arm's length basis based on normal commercial terms and in the ordinary and usual course of business of the Group, and the relevant terms and annual caps thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

D. INFORMATION OF THE PARTIES

The Company and the Group

The Company is a limited liability company incorporated in the Cayman Islands with the Shares listed on the main board of the Stock Exchange. The Group is principally engaged in the provision of general healthcare services, hospital management services and the group purchasing organisation business in the PRC.

LETTER FROM THE BOARD

CRC and CRH

CRH is a company incorporated in Hong Kong with limited liability and its holding company and ultimate beneficial owner is CRC. CRC is a company established in the PRC with limited liability and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC. It is a conglomerate which holds a variety of businesses in the PRC and Hong Kong including but not limited to consumer products, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors.

CR Bank

CR Bank is a licensed bank regulated by the China Banking and Insurance Regulatory Commission and is headquartered in Zhuhai, Guangdong Province, the PRC. It has branches and sub-branches in different locations in the PRC where it operates and provides financial and commercial banking services. As at the Latest Practicable Date, CRC holds approximately 70.28% of CR Bank's equity interests.

CR Trust

CR Trust is an integrated financial service provider headquartered in Shenzhen, Guangdong Province, the PRC, and is authorized by the relevant regulatory body to operate and conduct business on a nationwide basis in the PRC. As at the Latest Practicable Date, CRC and Shenzhen Investment Holdings Co., Ltd. (which is controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal) hold 51% and 49% of CR Trust's equity interests, respectively.

E. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CRC is the holding company of CRH, a controlling shareholder of the Company, and indirectly owns approximately 70.28% and 51% equity interests in CR Bank and CR Trust, respectively. Therefore, the New CCT Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) relating to each of the New CCT Agreements (among which, the amounts in relation to the financial products as provided by CR Bank and CR Trust are aggregated as they are similar in nature) exceed 5%, the transactions contemplated under the abovementioned New CCT Agreements and the corresponding annual caps are subject to the requirements of reporting, annual review, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

F. INTERNAL CONTROL MEASURES

The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the New CCT Agreements and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the New CCT Agreements, on normal commercial terms, in the interest of the Company and its Shareholders as a whole, and in accordance with the relevant pricing policies.

To protect the Shareholders' interests, the Group will adopt the following internal control procedures and corporate governance measures when engaging members of the CR Group for their supply of PMM Items:

1. if the supply of PMM Items from members of the CR Group to the Group and the Sponsored Hospitals is subject to open tendering process, the Group will appoint certain designated personnel to survey the price of designated PMM Items and to ensure the tender pricing meets all such standards and the fairness of the process;
2. the Group will require sales agents to produce pricing guides from time to time as part of their pitching and, with such pricing information and the accumulated market experience from the long operation track record of the Group and the Sponsored Hospitals, the Company would be able to keep abreast of the fair market terms for different supplies;
3. the Group will review the amounts of the transactions with members of the CR Group on a regular basis in order to monitor and ensure that the proposed annual caps will not be exceeded; and
4. the Group will closely monitor the transactions contemplated under any agreements for the purchase of PMM Items from members of the CR Group and will report on relevant transactions to the management of the Group on a regular basis.

To protect the Shareholders' interests, the Group will adopt the following internal control procedures and corporate governance measures when engaging the deposit business of CR Bank:

1. the Group will check the benchmark interest rates for deposits published by the PBOC and quoted by other commercial banks constantly;
2. before making a deposit with CR Bank, the Group will check the interest rates offered by CR Bank against those provided by at least three major commercial banks that have established business relationship with the Group, with the aim to

LETTER FROM THE BOARD

ensure that the deposit interest rate is not lower than the then applicable interest rate for the same deposit services from other domestic commercial banks in the PRC;

3. the Group will closely monitor the transactions contemplated under any agreements for deposit businesses from CR Bank and will report on relevant transactions to the management of the Group on a regular basis;
4. to manage the relevant risks, the Group will request CR Bank to provide us with sufficient information on various financial indicators (including, without limitation, key financial ratios such as net cash flow from operating activities, leverage ratio, provisioning coverage ratio, liquidity coverage ratio, net stable funding ratio and liquidity ratio) and annual financial statements so that the Group is able to monitor and review its financial conditions. Subject to compliance with the applicable laws and regulations, CR Bank must notify the Group of any judicial, legal or regulatory procedures or investigations having material effect on its financial conditions. If the Group considers that any material adverse changes have occurred in the financial conditions of CR Bank, the Group will adopt appropriate measures (including early withdrawal of deposits or suspension of placement of further deposits) to safeguard the financial conditions of the Group; and
5. the Group will review periodic report(s) submitted by CR Bank in order to monitor and ensure that the proposed annual caps will not be exceeded.

To protect the Shareholders' interests, the Group will adopt the following internal control procedures and corporate governance measures when engaging CR Bank and/or CR Trust for their financial products and services:

1. before entering into any contracts or agreements with CR Bank and/or CR Trust, the Group will check the tariffs or charges for each type of product or service offered by CR Bank and/or CR Trust against those provided by not less than two major commercial banks and/or major trust companies that have established business relationship with the Group, with the aim to ensure that the tariffs or charges agreed with CR Bank and/or CR Trust are appropriate;
2. the Group will closely monitor the transactions contemplated under any agreements for financial products and services of CR Bank and/or CR Trust and will report on relevant transactions to the management of the Group on a regular basis;
3. to manage the relevant risks, the Company will request CR Bank and/or CR Trust to provide us with sufficient information on various financial indicators (including, without limitation, key financial ratios such as net cash flow from operating activities, leverage ratio, provisioning coverage ratio, liquidity coverage ratio, net stable funding ratio and liquidity ratio) and annual financial statements so that the Group is able to monitor and review its financial conditions. Subject to compliance with the applicable laws and regulations, CR Bank and/or CR Trust

LETTER FROM THE BOARD

must notify the Group of any judicial, legal or regulatory procedures or investigations having material effect on its financial conditions. If the Group considers that any material adverse changes have occurred in the financial conditions of CR Bank and/or CR Trust, the Group will adopt appropriate measures to safeguard the financial conditions of the Group; and

4. the Group will review periodic report(s) submitted by CR Bank and/or CR Trust in order to monitor and ensure that the proposed annual caps will not be exceeded.

G. APPROVAL OF THE BOARD

No Directors are considered to have a material interest in the New CCT Agreements. As part of good corporate governance measures, Mr. Song Qing, Mr. Cheng Libing, Ms. Ren Yuan and Mr. Shan Baojie, the executive Directors, and Mr. Hu Hui, the non-executive Director have abstained from voting on the relevant Board resolutions, given that they serve as senior management in CRH and/or CR Healthcare.

H. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong and Mr. LEE Kar Chung Felix, all being independent non-executive Directors, has been established to consider the transactions contemplated under the New CCT Agreements and the corresponding annual caps and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolutions regarding the transactions contemplated under the New CCT Agreements and the corresponding annual caps. None of the members of the Independent Board Committee has any material interest in the New CCT Agreements.

Maxa Capital has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the New CCT Agreements and the corresponding annual caps.

I. EGM

The Company will convene the EGM at 9:30 a.m. on December 29, 2022 at 14/F, Kunlun Center Office Building, No. 9, Fuyi Street, Fengtai District, Beijing, the People's Republic of China for the Independent Shareholders to consider and, if thought fit, among others, approve the transactions contemplated under the New CCT Agreements and the corresponding annual caps. The notice of the EGM is set out on pages 49 to 52 of this circular. Pursuant to the Listing Rules, the votes of the Independent Shareholders on the proposed ordinary resolutions approving the New CCT Agreements and the corresponding annual caps thereunder will be taken by way of poll at the EGM and an announcement on the poll results will be made by the Company after the EGM.

LETTER FROM THE BOARD

Any Shareholders who have a material interest in the New CCT Agreements shall abstain from voting on the resolutions in relation thereto to be proposed at the EGM. As at the Latest Practicable Date, CRH is interested in 474,319,516 Shares (representing approximately 36.58% of the issued Shares): (1) 463,681,516 of such Shares are directly held by CRH (Medical) Limited. CRH (Medical) Limited is wholly owned by CR Healthcare. CR Healthcare is wholly owned by CRH (Healthcare) Limited. CRH (Healthcare) Limited is wholly owned by CRH; and (2) 10,638,000 of these Shares are directly held by Commotra Company Limited which is wholly owned by CRH. CRH is a controlling shareholder of the Company, and has a material interest in the New CCT Agreements. As such, CRH and its associates (as described above) shall abstain from voting on the ordinary resolution(s) approving the transactions contemplated under the New CCT Agreements and the corresponding annual caps in the EGM.

Save as disclosed above, as at the Latest Practicable Date, no other Shareholder has any material interests in the New CCT Agreements and no other Shareholder is required to abstain from voting on the ordinary resolution(s) approving the transactions contemplated under the New CCT Agreements and the corresponding annual caps at the EGM.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.crmedical.hk).

Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for holding the EGM or any adjournment thereof (as the case may be). Please note that Monday, December 26, 2022 and Tuesday, December 27, 2022 are not working days in Hong Kong and the offices of Computershare Hong Kong Investor Services Limited will not be open on these days for physical delivery of the forms of proxy. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish and in such event, the form of proxy shall be deemed to be revoked.

J. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 24 to 25 of this circular which contains its opinion and recommendations on the transactions contemplated under the New CCT Agreements and the corresponding annual caps; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 26 to 43 of this circular which contains its advice on the transactions contemplated under the New CCT Agreements and the corresponding annual caps and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice; and (iii) additional information set out in the Appendix to this circular.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular, after considering the advice from Maxa Capital) are of the view that the terms of the New CCT Agreements and the corresponding annual caps are fair and reasonable, on normal commercial terms and the New CCT Agreements were entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve the entering into of the New CCT Agreements, the transactions contemplated thereunder and the corresponding annual caps at the EGM.

Accordingly, the Board (including the independent non-executive Directors) also recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve the entering into of the New CCT Agreements, the transactions contemplated thereunder and the corresponding annual caps at the EGM.

Yours faithfully,
For and on behalf of the Board
China Resources Medical Holdings Company Limited
CHENG Libing
Executive Director and Chief Executive Officer



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)

December 13, 2022

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) CRH PMM FRAMEWORK AGREEMENT;
(2) CR BANK STRATEGIC COOPERATION AGREEMENT; AND
(3) CR TRUST STRATEGIC COOPERATION AGREEMENT

We refer to the circular of the Company dated December 13, 2022 (the “**Circular**”) despatched to the Shareholders of which this letter forms a part. Unless the context otherwise requires, capitalised terms and expressions used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the entering into of the New CCT Agreements, the transactions contemplated under the New CCT Agreements and the corresponding annual caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Maxa Capital has been appointed to advise the Independent Board Committee and Independent Shareholders in respect of the abovementioned matters.

We wish to draw your attention to the letter from the Board set out on pages 5 to 23 of the Circular and the letter from Maxa Capital set out on pages 26 to 43 of the Circular.

Having considered the terms of the New CCT Agreements and the advice given by Maxa Capital, we are of the opinion that the terms of and the transactions contemplated under the New CCT Agreements and the corresponding annual caps are fair and reasonable, on normal commercial terms and the New CCT Agreements are entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the entering into of the New CCT Agreements, the transactions contemplated thereunder and the corresponding annual caps at the EGM.

Yours faithfully,
Independent Board Committee

Mr. WU Ting Yuk, Anthony
*Independent non-executive
Director*

Mr. KWONG Kwok Kong
*Independent non-executive
Director*

Mr. LEE Kar Chung Felix
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Maxa Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

December 13, 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS (1) CRH PMM FRAMEWORK AGREEMENT; (2) CR BANK STRATEGIC COOPERATION AGREEMENT; AND (3) CR TRUST STRATEGIC COOPERATION AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the CRH PMM Framework Agreement, the CR Bank Strategic Cooperation Agreement and the CR Trust Strategic Cooperation Agreement (collectively the “**New CCT Agreements**”) and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2025, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated December 13, 2022 issued by the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Each of CRH, CR Bank and CR Trust has entered into the New CCT Agreements with the Company to renew the terms of the 2019 CRH PMM Framework Agreement, the 2019 CR Bank Strategic Cooperation Agreement, and the 2019 CR Trust Strategic Cooperation Agreement respectively (together the “**Existing CCT Agreements**”), which are expiring on December 31, 2022, for another three years; and revising the corresponding annual caps under the New CCT Agreements (collectively known as the “**Proposed Annual Caps**”).

As at the Latest Practicable Date, CRC is the holding company of CRH, a controlling shareholder of the Company, and indirectly owns approximately 70.28% and 51% equity interests in CR Bank and CR Trust, respectively. According to Rule 14A.07 of the Listing Rules, CRH, CR Bank, and CR Trust are connected persons of the Company and hence the transactions contemplated under the New CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The transactions under the New CCT Agreements are therefore subject to the requirements of reporting, annual review, announcement and approval by the Independent Shareholders

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

under Chapter 14A of the Listing Rules. CRH and its associates are required to abstain from voting at the EGM on the resolutions in relation to the New CCT Agreements. The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the New CCT Agreements as well as the Proposed Annual Caps thereunder. We, Maxa Capital Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from the Company in accordance with Rule 13.84 of the Listing Rules. We did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence. We are not associated with the Company, its subsidiaries, its associates, or their respective substantial shareholders or associates or any other parties to the New CCT Agreements, and accordingly, are eligible to give independent advice and recommendations on the terms of the New CCT Agreements, the continuing connected transactions thereunder and the Proposed Annual Caps. Save for this appointment, there was no other engagement between the Company and us in last two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our advice and recommendations, we have reviewed, among others, (i) the New CCT Agreements; (ii) the annual reports of the Company for the two years ended December 31, 2020 (the “**2020 AR**”) and December 31, 2021 (the “**2021 AR**”); (iii) the interim report of the Company for the six months ended June 30, 2022 (the “**2022 IR**”); (iv) the basis of calculation of the Proposed Annual Caps; and (v) the Company’s internal control procedures and records in relation to the transactions contemplated under the New CCT Agreements. We have assumed that all statements of belief and intention made by the Directors and the management of the Company were made after due enquiry. We have also assumed that all information, representations, and opinions made were true, accurate and complete at the time they were made and continued to be true at the date of the Circular and will remain so up to the date of the EGM.

We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of this letter. We have also assumed that all statements of belief, opinion, expectation, and intention made by the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Directors in the Circular were reasonably made after due enquiry and careful consideration. Our opinion is based on the Directors' representation and confirmation that no material facts have been omitted from the information provided and referred to in the Circular.

The Company confirmed that it has, at our request, provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in the Circular nor do doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, conducted any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs of the Company, CRH, CR Bank, and CR Trust and each of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background of and reasons for the New CCT Agreements

1.1 Information of the Group

The Company is an investment holding company and is mainly engaged in the provision of general healthcare services, hospital management services, and also group purchasing organisation (“GPO”) business and other derived business from hospitals in Mainland China. Set out below is the summarised financial information of the Group for the three years ended December 31, 2019, 2020 and 2021 (“FY2019”, “FY2020” and “FY2021”, respectively) and for the six months ended June 30, 2021 and 2022 (“1H2021” and “1H2022”, respectively), as extracted from the 2020 AR, the 2021 AR and the 2022 IR:

	For the year ended December 31			For the six months ended	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Total revenue	2,115,320	2,750,650	4,447,477	1,772,123	2,850,489
General healthcare services	721,055	1,643,620	3,088,545	1,138,886	2,322,778
Hospital management services	232,629	137,858	164,394	85,940	75,854
Third-party supply chain service fees	214,851	180,286	233,301	98,218	102,600
GPO business	1,108,677	1,005,912	1,253,888	594,748	567,024
Other hospital-derived services	39,111	33,510	44,921	16,679	12,083
Eliminations	(201,003)	(250,536)	(337,572)	(162,348)	(229,850)
Profit before tax	541,299	418,185	270,475	270,142	254,175
Profit for the year/period	400,634	320,321	425,864	205,325	214,747

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the 2020 AR, the total revenue of the Group was approximately RMB2,750.7 million for FY2020, representing an increase of approximately RMB635.3 million or 30.0% as compared to FY2019, whereas the profit for FY2020 was approximately RMB320.3 million, representing a decrease of approximately RMB80.3 million or 20.0% as compared to FY2019. Such increase in revenue is mainly attributable to the acquisition of Jinan Zhong Qi Hospital and consolidation of certain other hospitals, while a decline in profit for the year was primarily due to the drop in number of visits to the Company's member hospitals as affected by the COVID-19 epidemic, especially in the first quarter of FY2020.

As disclosed in the 2021 AR, the total revenue of the Group was approximately RMB4,447.5 million for FY2021, representing an increase of approximately RMB1,696.8 million or 61.7% as compared to FY2020, whereas the profit for FY2021 was approximately RMB425.9 million, representing an increase of approximately RMB105.5 million or 32.9% as compared to FY2020. Such increase in the revenue and the profit for the year was primarily attributable to the combined effect of (i) the effects in relation to the completion of acquisitions of Huaiyin Hospital as well as the consolidation of financial statements of Guangdong 999 Brain Hospital, Xukuang Hospital and Huaibei City Mental Health Center; (ii) the improved profit contribution of the Company's member hospitals, resulting from the successful implementation of the Company's strategy in strengthening the management of daily operation and promoting service quality and operation efficiency, which helped member hospitals effectively cope with the challenges brought by the epidemic and improved overall financial performance with the overall number of outpatients and inpatients increased by 39.9% and 28.3% respectively as compared to FY2020; and (iii) the number of medical institutions under the Group's management and operation increased to 120, representing a 12.1% increase compared to the 107 medical institutions in FY2020.

As disclosed in the 2022 IR, the total revenue of the Group was approximately RMB2,850.5 million for 1H2022, representing an increase of approximately RMB1,078.4 million or 60.9% as compared to 1H2021, whereas the profit for the period was approximately RMB214.7 million representing an increase of approximately RMB9.4 million or 4.6% as compared to 1H2021. Such increase in the revenue and profit for the period was primarily attributable to (i) the effective prevention and control of the COVID-19 epidemic in China; and (ii) a better growth recorded in most member hospitals in their business volume, revenue and operating results during 1H2022 with the overall number of outpatients and inpatients increased by 66.1% and 11.4% respectively as compared to 1H2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at December 31			As at
	2019	2020	2021	June 30
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Non-current assets	4,675,772	4,816,301	6,543,020	6,708,546
Current assets	3,198,209	4,146,892	3,924,582	4,154,816
Inventories	62,121	142,035	185,075	178,556
Trade and bills receivables	618,698	618,103	766,603	1,011,547
Prepayments, deposits and other receivables	219,783	372,395	298,529	294,447
Cash and cash equivalents	2,006,220	2,701,370	2,324,051	2,343,450
Financial assets at FVTPL or at amortised cost	269,883	270,223	311,031	291,210
Other current assets	21,504	42,766	39,293	35,606
Total assets	7,873,981	8,963,193	10,467,602	10,863,362
Non-current liabilities	349,551	415,553	177,423	1,123,016
Current liabilities	1,384,255	2,207,186	3,443,734	2,672,208
Trade and bills payables	241,303	564,125	827,574	895,520
Other payables and accruals	252,120	577,102	757,989	752,955
Payables to hospitals sponsored by the Group	255,571	217,717	166	—
Interest-bearing bank borrowings	578,337	684,301	1,665,899	802,305
Other current liabilities	56,924	163,941	192,106	221,428
Total liabilities	1,733,806	2,622,739	3,621,157	3,795,224
Net current assets	1,813,954	1,939,706	480,848	1,482,608
Net assets	6,140,175	6,340,454	6,846,445	7,068,138

As disclosed in the 2020 AR, the Group had net current assets of approximately RMB1,939.7 million with current ratio of approximately 1.9 times as at December 31, 2020 as compared to net current assets of approximately RMB1,814.0 million with current ratio of approximately 2.3 times as at December 31, 2019. Such decrease was mainly attributable to (i) the increase in trade and bills payables from approximately RMB241.3 million as at December 31, 2019 to RMB564.1 million as at December 31, 2020; (ii) the increase in other payables and accruals from approximately RMB252.1 million as at December 31, 2019 to RMB577.1 million as at December 31, 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the 2021 AR, the Group had net current assets of approximately RMB480.8 million with a current ratio of approximately 1.1 times as of December 31, 2021 as compared to net current assets of approximately RMB1,939.7 million with a current ratio of approximately 1.9 times as at December 31, 2020. Such decrease was mainly attributable to (i) the decrease in prepayments, deposits and other receivables from approximately RMB372.4 million as at December 31, 2020 to RMB298.5 million as at December 31, 2021; (ii) the increase in interest-bearing bank borrowings from approximately RMB684.3 million as at December 31, 2020 to RMB1,665.9 million as at December 31, 2021; and was partially offset by the decrease in payables to hospitals sponsored by the Company from approximately RMB217.7 million as at December 31, 2020 to approximately RMB0.2 million as at December 31, 2021.

As disclosed in the 2022 IR, the Group had net current assets of approximately RMB1,482.6 million with current ratio of approximately 1.6 times as at June 30, 2022 as compared to net current assets of approximately RMB480.8 million with a current ratio of approximately 1.1 times as at December 31, 2021. Such increase was mainly attributable to (i) the increase in trade and bills receivables from approximately RMB766.6 million as at December 31, 2021 to RMB1,011.5 million as at June 30, 2022; and (ii) the decrease in interest-bearing bank borrowings from approximately RMB1,665.9 million as at December 31, 2021 to approximately RMB802.3 million as at June 30, 2022.

1.2 Information of CRH

CRH is a company incorporated in Hong Kong with limited liability and its holding company and ultimate beneficial owner is CRC. CRC is a company established in the PRC with limited liability and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC. It is a conglomerate which holds a variety of businesses in the PRC and Hong Kong including but not limited to consumer products, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors.

1.3 Information of CR Bank

CR Bank is a licensed bank regulated by the China Banking and Insurance Regulatory Commission and is headquartered in Zhuhai, Guangdong Province, the PRC. It has branches and sub-branches in different locations in the PRC where it operates and provides financial and commercial banking services. As at the Latest Practical Date, approximately 70.28% of equity interests in CR Bank are indirectly held by CRC. According to the annual report of CR Bank as at December 31, 2021, CR Bank recorded revenue of RMB7,499.1 million, a net profit of RMB1,853.1 million, a total asset of approximately RMB279,316.7 million and shareholders' equity of approximately RMB21,302.6 million.

1.4 Information of CR Trust

CR Trust is an integrated financial service provider headquartered in Shenzhen, Guangdong Province, the PRC, and is authorized by the relevant regulatory body to operate and conduct business on a nationwide basis in the PRC. CRC and Shenzhen Investment Holdings Co., Ltd. (which is controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal) hold 51% and 49% of CR Trust's equity interests, respectively. As disclosed in the annual report of CR Trust as at December 31, 2021, CR Trust recorded revenue of RMB4,591.5 million, a net profit of RMB3,410.6 million, a total asset of approximately RMB33,033.9 million and shareholders' equity of approximately RMB28,032.4 million.

2. Principal terms of the New CCT Agreements

We have reviewed the New CCT Agreements and noted that the terms and conditions are substantially the same as those under the Existing CCT Agreements. Respective parties of the New CCT Agreements will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in the New CCT Agreements.

2.1 Scope of services

The scope of services under the New CCT Agreements is set out below:

- (i) pursuant to the CRH PMM Framework Agreement, members of the CR Group may supply PMM Items to the Group and the Sponsored Hospitals from time to time. The Group and the Sponsored Hospitals may place purchase orders for the PMM Items with members of the CR Group from time to time and members of the CR Group may sell the products to the Group and the Sponsored Hospitals at a price in accordance with the agreed pricing policy in the CRH PMM Framework Agreement. The details of each purchase order, including price, payment terms and delivery arrangement, are to be separately agreed in accordance with the principles laid down in the CRH PMM Framework Agreement;
- (ii) pursuant to the CR Bank Strategic Cooperation Agreement, the Group and the Sponsored Hospitals may place deposits with CR Bank and use other financial services and products of CR Bank, including but not limited to, credit services, settlement services, agency services, cash management services, financial advisory services, and other financial services and products as agreed by the parties; and
- (iii) pursuant to the CR Trust Strategic Cooperation Agreement, the Group and the Sponsored Hospitals may use the services and products provided by CR Trust, including but not limited to, cash management, asset management, factoring services for receivables, advisory and consultation services, bond underwriting services, funds including securities and currency funds, and other trust services.

2.2 Pricing Policies

2.2.1 Pricing policies under the CRH PMM Framework Agreement

With reference to the Board Letter, the pricing of the PMM Items provided under the CRH PMM Framework Agreement shall be determined in accordance with:

- (i) the applicable prescribed price or guided price of those products fixed by the PRC regulators, if applicable; and
- (ii) if there is no such prescribed price or guided price for the particular product, the price shall be determined based on market prices and on normal commercial terms or terms no less favourable than those made available to the Group and the Sponsored Hospitals from independent third parties.

The Group purchases PMM Items for its own hospital use or GPO business which integrates the purchase of medical materials for the Group's in-network hospitals. Through the GPO business, the Group derives revenue from the sale of merchandise, such as pharmaceuticals, medical devices and medical consumables. In order to assess the fairness and reasonableness of the pricing policies under the CRH PMM Framework Agreement, we obtained and reviewed:

- (i) three randomly selected sample transaction documents from each of FY2020, FY2021 and financial year ending 31 December 2022 (“**FY2022**”) for purchasing PMM Items from members of the CR Group and compared with purchases of the same PMM Items from other independent third parties. We noted from the abovementioned documents that, (i) the purchased PMM Items are comparable products; (ii) the unit prices of the PMM Items purchased from the members of CR Group were not higher than the unit prices of the comparable PMM Items purchased from independent third parties; (iii) purchase of PMM Items is in the ordinary course of business of the Group; (iv) CR Group has passed the selection and approval procedures based the centralized tendering procedure in the PRC before it can supply the PMM Items and (v) there were proper authorisation from relevant management(s) in accordance to the internal control procedure of the Group;
- (ii) the auditor's annual confirmation in 2020 AR and 2021 AR, as required by the Listing Rules, that the continuing connected transactions are conducted in accordance with the terms of the Existing CCT Agreements; and
- (iii) the confirmation from the Company's independent non-executive Directors in 2020 AR and 2021 AR for reviewing the continuing connected transactions under the Existing CCT Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that (i) the sample transaction documents have demonstrated the prices of PMM Items provided by CR Group consistently complied with the pricing policy of the CRH PMM Framework Agreement, which allows the Group and the Sponsored Hospitals to purchase PMM Items at prices determined based on market prices and on normal commercial terms or terms no less favourable than those made available to the Group and the Sponsored Hospitals from independent third parties; (ii) there are proper internal control measurements in the Company and effective internal policies in place, including the clearance of the auditor and independent non-executive Directors in 2020 AR and 2021 AR, cross-checking of the price by designed personnel, regular reporting of transaction details to the Group's finance department, we consider that the abovementioned pricing policies under the CRH PMM Framework Agreement are fair and reasonable to the Company and its Shareholders as a whole.

2.2.2 Pricing policies under the CR Bank Strategic Cooperation Agreement

With reference to the Board Letter, the pricing of the services provided under the CR Bank Strategic Cooperation Agreement shall be determined in accordance with the following principles:

- (i) the deposits placed with CR Bank shall bear the same interest rate and shall be on the same terms and conditions as would apply to similar deposits made by any other customers of CR Bank, which rates are determined with reference to the rates published by the People's Bank of China ("PBOC") or such other preferred rates in the market; and
- (ii) the fees and charges for other financial services and products provided by CR Bank shall be determined by arm's length negotiations between the parties and based on normal commercial terms, and shall not be higher than the fee scales published by CR Bank.

In order to assess the fairness and reasonableness of the pricing policies under the CR Bank Strategic Cooperation Agreement, we obtained and reviewed:

- (i) three randomly selected sample transaction documents for deposit services with CR Bank from FY2022 and compared with the deposit services with other independent financial institutions. We noted from the abovementioned documents that, (i) the duration and deposit amounts are similar and therefore can be seen as comparable deposit services; (ii) the interest rates of the deposits placed with CR Bank were not less favourable than the interest rates of the Group's/Sponsored Hospitals' deposits placed with other independent financial institutions; (iii) there were proper authorisation from relevant management(s) on each transaction document and regular reporting of transaction volume to the Group's finance department for monitoring the annual caps in accordance to the internal control procedure of the Group;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) three randomly selected sample transaction documents for the financial products (other than deposit services) with CR Bank from FY2022 and compared with the financial products with other independent financial institutions. We noted from the abovementioned documents that, (i) the duration, amount of principal, and risks are similar and therefore can be seen as comparable financial products; (ii) the interest rates of the financial products offered by CR Bank were not less favourable than the interest rates of similar financial services and products offered by other independent banks; (iii) there were proper authorisation from relevant management(s) on each transaction document and regular reporting of transaction volume to the Group's finance department for monitoring the annual caps in accordance to the internal control procedure of the Group;
- (iii) in respect of maximum service fees and commissions for other financial products and services, given CR Bank did not charge service fees or commissions for the provision of financial products services during FY2020, FY2021 and the nine months ended September 30, 2022, we did not select any sample;
- (iv) the auditor's annual confirmation, as required by the Listing Rules, that the continuing connected transactions are conducted in accordance with the terms of the Existing CCT Agreements; and
- (v) the confirmation from the Company's independent non-executive Directors in 2020 AR and 2021 AR for reviewing the continuing connected transactions under the Existing CCT Agreements.

Having reviewed (i) the sample transaction documents on the deposit services or financial products provided by CR Bank that demonstrated the interest rate thereunder are on terms no less favourable than those offered by independent third parties; and (ii) there were proper internal control measurements in the Company and effective internal policies in place, including the clearance of the auditor and independent non-executive Directors in 2020 AR and 2021 AR, regular reporting of the transaction details to the Group's management, we consider that the abovementioned pricing policies under the CR Bank Strategic Cooperation Agreement are fair and reasonable to the Company and its Shareholders as a whole.

2.2.3 Pricing policies under the CR Trust Strategic Cooperation Agreement

With reference to the Board Letter, the pricing of the financial and trust services and products provided under the CR Trust Strategic Cooperation Agreement shall be determined by arm's length negotiations between the parties and based on normal commercial terms and shall not be higher than the fee scales published by CR Trust applicable to its independent customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess the fairness and reasonableness of the pricing policies under the CR Trust Strategic Cooperation Agreement, we obtained and reviewed:

- (i) two sample transaction documents for the financial products of CR Trust, being all the transactions occurred in FY2022 and compared with the financial products and services of other independent financial institutions. We noted from the abovementioned documents that, (i) the duration, investment amounts, and risk level of the financial products are similar and therefore can be seen as comparable financial products; (ii) the interest rates of the financial products offered by CR Trust were no less favourable than the interest rates of similar financial products offered by other independent financial institutions;
- (ii) we have obtained and reviewed the Group and the Sponsored Hospitals' selection and approval process relating to the transactions with CR Trust. There was documentation proving that the Group has obtained quotes from, or compared the amount of principal and interests of financial products or service fees offered by at least two major financial institutions prior to such transaction, and approval documents were duly authorised by the relevant department, and transaction volume has been regularly reported to the Group's finance department for monitoring the annual caps in accordance to its internal control procedure;
- (iii) in respect of the maximum service fees and commissions for other financial products and services, given CR Trust did not charge service fees or commissions for the provision of financial products services during FY2020, FY2021 and the nine months ended September 30, 2022, we did not select any sample;
- (iv) the auditor's annual confirmation, as required by the Listing Rules, that the continuing connected transactions are conducted in accordance with the terms of the Existing CCT Agreements; and
- (v) the confirmation from the Company's independent non-executive Directors in 2020 AR and 2021 AR for reviewing the continuing connected transactions under the Existing CCT Agreements.

Having reviewed (i) the sample transaction documents on the financial products provided by CR Trust that demonstrated the interest rate thereunder are on terms no less favourable than those offered by independent third parties; and (ii) there were proper internal control measurements in the Company and effective internal policies in place, including the clearance of the auditor and independent non-executive Directors in 2020 AR and 2021 AR, regular reporting of the transaction details to the Group's management, we consider that the abovementioned pricing policies under the CR Trust Strategic Cooperation Agreement are fair and reasonable to the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Proposed Annual Caps

In assessing the fairness and reasonableness of the Proposed Annual Caps, we have discussed with the Company about the basis and underlying assumptions used in the determination of the Proposed Annual Caps.

3.1 Historical Amount and Proposed Annual Caps

The following table sets forth (i) the historical amounts for the two years ended December 31, 2021 and for the nine months ended September 30, 2022; (ii) the caps under the Existing CCT Agreements (the “Existing Annual Caps”); and (iii) the Proposed Annual Caps:

<i>RMB Million</i>		Existing Annual Caps for the years ended/ ending December 31			Proposed Annual Caps for the years ending December 31		
		2020	2021	2022	2023	2024	2025
CRH PMM Framework Agreement							
Purchases of PMM Items from CRH and its subsidiaries	Annual caps	1,000.0	1,140.0	1,400.0	900.0	1,100.0	1,200.0
	Actual amounts	417.0	396.0	357.0 ¹			
	Utilisation rates	41.7%	34.7%	25.5% ²			
CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement							
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable)	Annual Caps	400.0	400.0	400.0	500.0	600.0	700.0
	Actual amounts	331.0	334.0	176.0 ¹			
	Utilisation rates	82.8%	83.4%	44.0% ²			
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank and CR Trust	Annual Caps	400.0	400.0	400.0	500.0	600.0	700.0
	Actual amounts	156.0	50.0	50.0 ¹			
	Utilisation rates	39.0%	12.5%	12.5% ²			
Maximum service fees and commissions for other financial products and services to be provided by CR Bank and CR Trust	Annual Caps	8.0	8.0	8.0	10.0	12.0	14.0
	Actual amounts	0	0	0 ¹			
	Utilisation rates	0.0%	0.0%	0.0% ²			

1. *Historical amount for the nine months ended September 30, 2022.*
2. *The utilisation rates for the year ending December 31, 2022 are computed based on the actual amounts up to September 30, 2022.*

3.2 Assessment to the Proposed Annual Caps under CRH PMM Framework Agreement

In assessing the fairness and reasonableness of the annual caps for purchases of the PMM Items, we have obtained and reviewed:

- (i) the schedule of expected purchase amounts of PMM Items from members of CR Group prepared by individual Group's subsidiaries or Sponsored Hospitals for the three years ending December 31, 2025 and we understand that they can select suppliers for PMM Items at their own discretion. Such expected purchase amounts were determined with reference to the historical purchase amount, utilisation rate of the Existing Annual Caps and estimated demand for PMM Items in the next three years. As discussed with the management, the Proposed Annual Caps under the CRH PMM Framework Agreement for the year ending December 31, 2023 is only RMB900 million, which is lower than the Existing Annual Caps to reflect the drop in the actual purchases from members of CR Group during the nine months ended September 30, 2022. Furthermore, as disclosed in the 2021 AR, the number of medical institutions under the Group's management and operation increased to 120 in FY2021, representing 12.1% increase compared to 107 medical institutions in FY2020. The number of beds in operation also increased from 10,965 in FY2020 to 12,242 in FY2021. It is expected the demand for PMM Items including the corresponding Proposed Annual Caps shall gradually increase from 2023 on the basis that the Group's hospital network will further expand in the next three years, we are of the view that such assumption is generally in-line with the increasing number of the Group's hospitals and the increasing trend of the inpatient and outpatient visits of the Group's hospitals in the past two years;
- (ii) when determining the Proposed Annual Caps, the Group expected the annual total purchase amount of PMM Items in the next three years will increase to RMB3.8 billion or increase by about 15% from the average annual total purchases in FY2020 and FY2021 of RMB3.3 billion. We are of the view such basis is in line with the growing trend of the Group's turnover which recorded an increment of 30.0%, 61.7% and 60.9% as stated in 2020 AR, 2021 AR and 2022 IR, respectively. According to the 2022 IR, the Group intends to seize the window period for the reform of state-owned hospitals and the corresponding merger and acquisition opportunities so as to accelerate extensional growth to maintain its advantageous position in the industry, as such we are of the view that demand for PMM Items driven by possible expansion of the Group's hospital network is in line with the increasing trend of the Proposed Annual Caps under the CRH PMM Framework Agreement; and

- (iii) the total historical amounts for purchasing PMM Items under the 2019 CRH PMM Framework Agreement for the two years ended December 31, 2021 and for the nine months ended September 30, 2022, amounting to approximately RMB417 million, RMB396 million, and RMB357 million, representing 12.7%, 11.7%, and 16.0% of the total purchases of the Group respectively while the utilisation rate of the Existing Annual Caps is 41.7%, 34.7% and 25.5%, respectively. As discussed with the management, the purchase of PMM Items in the fourth quarter is generally higher in order to avoid unnecessary delay just before the Chinese New Year holiday season and it is expected that the utilisation rate of the Existing Annual Caps for FY2022 could reach 40%. The Group expects the percentage of purchases under the CRH PMM Framework Agreement to the total purchase amount for the three years ending December 31, 2025 will increase to approximately 16% to 18% driven by centralised management of the Group's supply chain and such assumption is in line with the PMM Items purchased from members of CR Group for the nine months ended September 30, 2022 of 16%. We are of the view that the Proposed Annual Caps are determined with reference to the growth in the demand of PMM Items, number of managed hospitals and historical utilisation rate with certain buffer, if fully utilised, allow members of CR Group to provide up 23.6% to 31.5% of the Group's expected annual total purchase amount of PMM Items on the basis that it can reach RMB3.8 billion in the next three years.

Having considered the abovementioned factors, we concur with the Directors that the proposed annual caps under the CRH PMM Framework Agreement are fair and reasonable.

3.3 Assessment to the Proposed Annual Caps under CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement

In assessing the fairness and reasonableness of the annual caps for the Group's provision of deposits placed with CR Bank (inclusive of interest receivable) for each of the years ending December 31, 2023, 2024 and 2025, we have obtained and reviewed:

- (i) the utilisation rates of the Existing Annual Caps in respect of maximum daily deposits amount for the two years ended December 31, 2021 and for the nine months ended September 30, 2022 were 82.8%, 83.4%, and 44.0% for the corresponding periods. We noted that the utilisation rates of the annual caps for the bank deposits remain relatively high;
- (ii) the maximum daily deposits amount placed with CR Bank is approximately RMB176.0 million or 7.5% of the Group's cash balance as at June 30, 2022 and approximately RMB334 million or 14.4% of the Group's cash balance as at December 31, 2021. We noted that only a relatively low percentage of the Group's cash balances are deposited in CR Bank;
- (iii) other than CR Bank, the Group has placed deposits in three other independent banks which accounted for approximately 27.6%, 18.0% and 15.6% of the Group's cash balances as at December 31, 2021; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) we are of the view that the proposed maximum amount for deposits is determined with reference to the actual utilisation rate in the past and the increasing trend in such cap is in line with the growth of the Group's operating activities including its turnover and number of hospitals as mentioned earlier.

Having considered (i) the utilisation rates of the Existing Annual Caps for bank deposits remain relatively high; (ii) placing deposits with CR Bank provide alternatives for the Group's cash management; (iii) placing deposits with CR Bank can help diversify the Group's investment risks that may arise from potential over-reliance on certain banks; (iv) there is a continued expansion in the Group's business scale; and therefore we concur with the Directors that the Proposed Annual Caps for the maximum daily deposit amount with CR Bank are fair and reasonable.

In assessing the fairness and reasonableness of the annual caps for the financial products and the service fees and commissions for other financial products and services provided by CR Bank and/or CR Trust for each of the years ending 2023, 2024 and 2025, we have obtained and reviewed:

- (i) the utilisation rates of the Existing Annual Caps on financial products provided by CR Bank and/or CR Trust for the two years ended December 31, 2021 and for the nine months ended September 30, 2022 were 39.0%, 12.5%, and 12.5%. We noted that the utilisation rates fluctuated and were relatively low for FY2021 and FY2022. Based on our discussion with the management, such amounts depend on whether the financial products provided by CR Bank and/or CR Trust can fit the investment strategy of the Group from time to time;
- (ii) as disclosed in the 2021 AR and 2020 AR, the Group's net cash flows from operating activities amounted to approximately RMB643.7 million for FY2020, representing an increase of RMB277.6 million or 76% as compared to FY2019. For FY2021, the Group's net cash flows from operating activities are approximately RMB710.4 million, representing an increase of RMB66.7 million or 10% as compared to FY2020. As discussed with the management, the increase in net cash inflow may be used for purchase of financial services or products from CR Bank and CR Trust. We are of the view the maximum amount of the Proposed Annual Caps for the principal amount and interest in relation to financial products, representing approximately 29.8% of the Group's cash balance as of 1H2022, can provide the Group with the flexibility to allocate its excess cash when there is suitable financial services or products offered by CR Bank or CR Trust and the basis of such caps are in line with the anticipated growth in the cash-generating abilities of the Group and the Sponsored Hospitals; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) despite CR Bank and CR Trust did not charge service fees or commissions for the provision of financial products and services during FY2020, FY2021 and the nine months ended September 30, 2022, we have discussed with the management the service fees charged by other financial institutions to the Group during FY2022 which ranged from 0.1% to 2.5% and believe that it is reasonable for the Company to reserve 2% from the maximum daily amount of financial products as service fees or commissions payable for other financial products and services to be provided by CR Bank and CR Trust.

We have reviewed and understood that (i) there is a continued expansion in the Group's business scale that might foster the potential demand for the financial services provided by CR Bank and/or CR Trust; and (ii) the Group's increasing need for capital management of the Group and the Sponsored Hospitals could lead to possible subscription of the financial products offered by CR Bank and/or CR Trust; and therefore we concur with the Directors that the annual caps for the financial products and the service fees and commissions for other financial products and services are fair and reasonable.

4. Reasons for and benefits of the transactions contemplated under the New CCT Agreements

4.1 CRH PMM Framework Agreement

As stated in the Board Letter, CRH through its subsidiaries has a long track record of supplying PMM Items in the PRC. CRH is one of the largest pharmaceutical distributors in the PRC with a prevailing market presence in the regions where the Group and Sponsored Hospitals operate, and its capability to offer better pricing and credit terms to the Company and the Sponsored Hospitals when compared with the other existing suppliers. By relying on its scale and strength, we concur with the view of the Board that CRH can provide the Company with a stable supply of PMM Items that are essential for the daily operation of the Group and the Sponsored Hospitals. Besides, the procurement arrangement between CRH, the Group and the Sponsored Hospitals has been in place for a number of years. CRH has over the years acquired extensive knowledge of the Group's industry and business operations, which enables them to better anticipate the Group's business needs. As a result, CRH is more well-positioned to provide and serve the Group with bespoke and cost-efficient services that would not be easy for independent third parties to replicate. In addition, the cooperation with CRH will help the Group secure a constant supply of PMM Items with favourable commercial terms following arm's length negotiations. The Group and the Sponsored Hospitals can achieve better operating efficiency and economies of scale through dealing with a fewer number of suppliers with better quality like CRH. We have also reviewed the internal control procedures for the purchase of PMM Items under the CRH PMM Framework Agreement and the sample transactions selected by us, details of which are listed in paragraph 2.2.1 above, confirm there are effective internal policies in place.

Based on the abovementioned reasons, in particular, (i) CRH's leading position in the pharmaceutical supply industry; (ii) the Group's long-term relationship with CRH and its capability to offer better pricing and credit terms; (iii) there are proper internal control

procedures in place, we concur with the Directors' view that the transactions contemplated under the CRH PMM Framework Agreement are in line with the interests of the Company and the Shareholders as a whole.

4.2 CR Bank Strategic Cooperation Agreement

As stated in the Board Letter, as the terms offered by the CR Bank are no less favorable than the deposit interest rates published by the PBOC or other commercial banks for deposits of a similar type for the same period, deposit of funds with the CR Bank will enable the Group to use the CR Bank as a primary clearing and settlement platform, provide the Group with access to a centralised cash pool, giving the Group the flexibility to make timely withdrawals from time to time to meet its funding needs and reduce the need for the Group to obtain third party financing, which will in turn help it achieve a lower cost of funding and maximise cost and operational efficiencies. CR Bank has been providing deposits and other financial services to the Group since 2017, and therefore they have acquired extensive knowledge of the Group's industry and are familiar with the Group's business operations, funding needs and cash flow pattern, which enables them to better anticipate the Group's business needs. As a result, the CR Bank is more well-positioned to provide and serve the Group with bespoke and cost-efficient services that would not be easy for independent financial institutions to replicate. The entering into of the CR Bank Strategic Cooperation Agreement shall enable the Group to enhance its overall liquidity, optimize its utilization of cash and capital, and benefit from greater flexibility in the Group's cash and capital management for the generation of a better return. Furthermore, the Group is not required to exclusively use the deposit services or other financial products and services provided by CR Bank. The Group can retain the flexibility and discretion in selecting CR Bank and/or other independent financial institutions or commercial banks taking into consideration its business needs and the fees and quality of services and products offered. We have also reviewed the internal control procedures for the transactions under the CR Bank Strategic Cooperation Agreement and the sample transactions selected by us, details of which are listed in paragraph 2.2.2 above, confirm there are effective internal policies in place.

Having considered the abovementioned reasons, we concur with the Directors' view that the transactions contemplated under the CR Bank Strategic Cooperation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4.3 CR Trust Strategic Cooperation Agreement

As stated in the Board Letter, along with the continued expansion in the Group's business scale, the utilization of cash and capital cash through the financial products and services provided by CR Trust for generation of better return shall improve the Group's cash and capital management. As confirmed by the Directors, CR Trust was rated A for the sixth consecutive year by the China Trustee Association (中國信託業協會) in May 2021, which is the highest rating for companies in the trust industry and we have reviewed the relevance of such rating. The entering into of the CR Trust Strategic Cooperation Agreement shall enable the Group an alternative to enhance its overall liquidity and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

optimize its utilization of cash and capital as the Group's cash and cash equivalents have increased from approximately RMB2,324.1 million as at December 31, 2021 to approximately RMB2,343.5 million as at June 30, 2022. As mentioned above, the Group is not required to exclusively use the financial products and services offered by CR Trust. The Group can retain the flexibility and discretion in selecting CR Trust and/or other independent financial institutions taking into consideration its business needs and the fees and quality of services and products offered. We have also reviewed the internal control procedures for the transactions under the CR Trust Strategic Cooperation Agreement and the sample transactions selected by us, details of which are listed in paragraph 2.2.3 above, confirm there are effective internal policies in place.

Having considered the abovementioned reasons, we concur with the Directors' view that the transactions contemplated under the CR Trust Strategic Cooperation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the continuing connected transactions under the New CCT Agreements are conducted in the ordinary and usual course of business of the Company and on normal commercial terms; and (ii) the terms of the New CCT Agreements and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolutions in relation to the New CCT Agreements to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Michael Fok
Managing Director

Mr. Michael Fok is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SECURITIES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which were required: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, are set out below:

Name of Director	Capacity/Nature of interest	Long position/ short position	Number of ordinary shares ^(Note)	Approximate percentage of shareholding (%)
SONG Qing	Beneficial owner	Long position	400,000	0.03
CHENG Libing	Beneficial owner	Long position	1,774,746	0.14
REN Yuan	Beneficial owner	Long position	300,000	0.02
WU Ting Yuk, Anthony	Beneficial owner	Long position	1,000,000	0.08

Note:

This includes also the long positions of the award shares, which have been declared to be granted by the Company to the corresponding Directors on August 31, 2018 and part of the declared award shares have been vested (the corresponding numbers of award shares are: 400,000 Shares to each of Mr. SONG Qing and Mr. CHENG Libing; 300,000 Shares to Ms. REN Yuan; 1,500,000 Shares to Mr. WU Ting Yuk, Anthony).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO): (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) which were required to be recorded in the register required

to be kept by the Company pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, the following person(s) (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholdings (%)
China Resources Company Limited	Interest of a controlled corporation	474,319,516(L) ⁽¹⁾	36.58
Mitsubishi UFJ Financial Group, Inc.	Interest of a controlled corporation	77,645,666(L) ⁽²⁾	5.98

L: Long position

Notes:

- (a) 463,681,516 of these Shares are directly held by CRH (Medical) Limited. CRH (Medical) Limited is wholly owned by CR Healthcare. CR Healthcare is wholly owned by CRH (Healthcare) Limited. CRH (Healthcare) Limited is wholly owned by CRH. CRH is wholly owned by CRC Bluesky Limited. CRC Bluesky Limited is wholly owned by CRI. CRI is wholly owned by CRC; and (b) 10,638,000 of these Shares are directly held by Commotra Company Limited which is wholly owned by CRH.
- Mitsubishi UFJ Financial Group, Inc. is the sole shareholder of Mitsubishi UFJ Trust and Banking Corporation whilst the latter is directly holding the entire shareholding interest in First Sentier Investors Holdings Pty Ltd (formerly known as Carol Australia Holdings Pty Limited). First Sentier Investors Holdings Pty Ltd (via its wholly-owned subsidiary First Sentier Investors Asia Holdings Ltd (formerly known as First State Investment Managers (Asia) Limited)) held the entire interest in First Sentier Investors (Hong Kong) Limited (formerly known as First State Investments (Hong Kong) Limited) and the latter directly held 77,645,666 Shares (representing approximately 5.98% of the issued Shares of the Company).

Save as disclosed above, as at the Latest Practicable Date, the Directors have not been notified by any substantial or significant Shareholders or any other persons (other than the Directors or chief executives of the Company) who had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which would not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

6. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. CONSENT AND QUALIFICATION OF EXPERT

The following are the qualifications of the expert who has given opinions or advice contained in this circular:

Name	Qualification
Maxa Capital Limited	A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, Maxa Capital did not have shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Maxa Capital did not have any direct or indirect interests in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

Maxa Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or references to its name included in this circular in the form and context in which they respectively appear.

8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are of the opinion that since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company have been made up) there have been no material adverse changes in the financial or trading positions of the Group.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

10. MISCELLANEOUS

Mr. SO Yiu Fung, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants.

The registered office of the Company is situated at 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands. The principal share registrar and transfer agent of the Company is Harneys Fiduciary (Cayman) Limited, whose address is the address of the registered office of the Company. The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The principal place of business of the Company in the PRC is at 14/F, Kunlun Center Office Building, No. 9 Fuyi Street, Fengtai District, Beijing, the People's Republic of China. The principal place of business of the Company in Hong Kong is at Room 2603, 26/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

This circular is in both English and Chinese. In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

11. DOCUMENT(S) ON DISPLAY

Electronic copies of the following documents are on display and are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.crmedical.hk) for a period of 14 days from the date of this circular:

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this circular;
- (b) the letter from Maxa Capital, the text of which is set out on pages 26 to 43 of this circular;
- (c) the written consent from Maxa Capital referred to in paragraph 7 of this Appendix;
- (d) the CRH PMM Framework Agreement;
- (e) the CR Bank Strategic Cooperation Agreement; and
- (f) the CR Trust Strategic Cooperation Agreement.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of China Resources Medical Holdings Company Limited (the “Company”) will be held at 14/F, Kunlun Center, No.9 Fuyi Street, Fengtai District, Beijing, the People’s Republic of China on Thursday, December 29, 2022 at 9:30 a.m. for the following purposes:

ORDINARY RESOLUTIONS

To consider and, if thought fit, approve the following resolutions as ordinary resolutions:

1. “THAT:

the execution of the pharmaceuticals, medical devices and medical consumables framework agreement dated November 18, 2022 (copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for identification purpose) entered into between the Company and China Resources (Holdings) Company Limited (the “CRH PMM Framework Agreement”), by any director(s) of the Company be and is hereby approved, confirmed and ratified; any director(s) of the Company be and is hereby authorized to sign, execute, perfect and deliver all such documents and to affix the common seal of the Company on any such document as and when necessary and do all such deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable for the purposes of or in connection with the implementation of the CRH PMM Framework Agreement and the transactions contemplated thereunder; and the corresponding annual caps for the three years ending December 31, 2025 under the CRH PMM Framework Agreement as set out in the circular of the Company dated December 13, 2022 be and are hereby approved.”

2. “THAT:

the execution of the strategic cooperation agreements dated November 18, 2022 (copies of which have been produced to the EGM marked “B” and signed by the chairman of the EGM for identification purpose) entered into between the Company and China Resources Bank of Zhuhai Co., Ltd. (the “CR Bank Strategic Cooperation Agreement”) and between the Company and China Resources SZITIC Trust Co., Ltd.

NOTICE OF EGM

(the “**CR Trust Strategic Cooperation Agreement**”), respectively, by any director(s) of the Company be and is hereby approved, confirmed and ratified; any director(s) of the Company be and is hereby authorized to sign, execute, perfect and deliver all such documents and to affix the common seal of the Company on any such document as and when necessary and do all such deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable for the purposes of or in connection with the implementation of the CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement and the transactions contemplated thereunder; and the corresponding annual caps for the three years ending December 31, 2025 under the CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement as set out in the circular of the Company dated December 13, 2022 be and are hereby approved.”

SPECIAL RESOLUTION

To consider and, if thought fit, approve the following resolution as a special resolution:

3. “THAT:

- (A) the proposed amendments to the existing memorandum and articles of association of the Company (the “**Proposed Amendments**”), the details of which are set out in the appendix to the circular of the Company dated December 13, 2022, be and are hereby approved;
- (B) the amended and restated memorandum and articles of association of the Company (the “**Amended and Restated Memorandum and Articles of Association**”) incorporating and consolidating all the Proposed Amendments (copy of which has been produced to the EGM marked “C” and signed by the chairman of the EGM for identification purpose) be and is hereby approved and adopted in substitution for and to the exclusion of the existing memorandum and articles of association of the Company with immediate effect; and

NOTICE OF EGM

(C) any director or company secretary of the Company be and is hereby authorised to do all such deeds, acts, matters and things and execute all such documents and make all such arrangements that he/she shall, in his/her absolute discretion, deem necessary or expedient to give effect to the Proposed Amendments and the adoption of the Amended and Restated Memorandum and Articles of Association, including without limitation, attending to the necessary filings with the Registrar of Companies in the Cayman Islands and Hong Kong, respectively.”

Yours faithfully,
For and on behalf of the Board
China Resources Medical Holdings Company Limited
CHENG Libing
Executive Director and Chief Executive Officer

Beijing, December 13, 2022

Registered office:

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street, George Town
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

Principal place of business in Hong Kong:

Room 2603, 26/F, China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the existing memorandum and articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.
2. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

NOTICE OF EGM

3. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.
5. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time scheduled for holding the EGM or any adjournment thereof (as the case may be). Please note that Monday, December 26, 2022 and Tuesday, December 27, 2022 are not working days in Hong Kong and the offices of Computershare Hong Kong Investor Services Limited will not be open on these days for physical delivery of the forms of proxy.
6. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be) and, in such event, the form of proxy appointing a proxy shall be deemed to be revoked.
7. For the purpose of determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Thursday, December 22, 2022 to Thursday, December 29, 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than Hong Kong Time 4:30 p.m. on Wednesday, December 21, 2022.
8. All the resolutions set out in this notice shall be decided by poll.

As at the date of this notice, 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.