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China Resources Medical Holdings Company Limited
華潤醫療控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1515)

- 1. CONNECTED TRANSACTIONS – AGREEMENTS IN RELATION TO PROPERTY SERVICES;**
- 2. CONTINUING CONNECTED TRANSACTIONS – FRAMEWORK AGREEMENTS IN RELATION TO THE SALES OF MEDICAL SUPPLIES;**
- AND**
- 3. CONTINUING CONNECTED TRANSACTIONS – FRAMEWORK AGREEMENT IN RELATION TO PROCUREMENT OF CONSULTATION SERVICES**

CONNECTED TRANSACTIONS – AGREEMENTS IN RELATION TO PROPERTY SERVICES

Reference is made to the announcement of the Company dated November 4, 2022 in relation to the entering into of the Original Property Services Agreement by Wugang Hospital under the Group and Runjia Property Service (Wuhan) (a wholly-owned subsidiary of CR Mixc), pursuant to which the latter would provide various property management services, including cleaning, security, fire safety control, etc., to Wugang Hospital for a term of one year. The Board is pleased to announce that on February 8, 2024, Wugang Hospital and Runjia Property Service (Wuhan) entered into the New Wugang Property Services Agreement, pursuant to which the latter shall continue to provide various property management services including cleaning, security, fire safety control, etc., to Wugang Hospital for a term of one year, with a total service fee of approximately RMB6.133 million (inclusive of VAT).

On July 31, 2023, Bengang Hospital (the acquisition of controlling interests of which by the Group was completed on June 25, 2023) and Runjia Property Service (Shenyang) (a wholly-owned subsidiary of CR Mixc) entered into Bengang Property Services Agreement, pursuant to which Runjia Property Service (Shenyang) would provide property management services to Bengang Hospital for a term of one year, with a total service fee of approximately RMB9.6 million (inclusive of VAT).

CONTINUING CONNECTED TRANSACTIONS – FRAMEWORK AGREEMENTS IN RELATION TO THE SALES OF MEDICAL SUPPLIES

The Board also announces that on February 8, 2024, the Company entered into the CR Healthcare Sales of Medical Supplies Framework Agreement with CR Healthcare and the Aerospace Medical Sales of Medical Supplies Framework Agreement with Aerospace Medical, both for a term commencing from January 1, 2024 to December 31, 2025, pursuant to which the Group shall supply pharmaceuticals, medical consumables and medical devices to the member hospitals of CR Healthcare (excluding the hospitals of the Group) and the member hospitals of Aerospace Medical, respectively. The annual cap for the CR Healthcare Sales of Medical Supplies Framework Agreement is RMB45 million for 2024 and RMB75 million for 2025 respectively, while the annual cap for the Aerospace Medical Sales of Medical Supplies Framework Agreement is RMB85 million for 2024 and RMB100 million for 2025 respectively.

The Board also announces to ratify the transactions conducted by the Group during the year ended December 31, 2023, for the sale of medical supplies to the member hospitals of Aerospace Medical in order to meet their emerging needs with aggregated transaction amount of approximately RMB23.64 million (unaudited) (“**2023 Medical Supplies Sales**”).

CONTINUING CONNECTED TRANSACTIONS – FRAMEWORK AGREEMENT IN RELATION TO PROCUREMENT OF CONSULTATION SERVICES

The Board further announces that on February 8, 2024, the Company entered into the Aerospace Medical Procurement of Consultation Services Framework Agreement with Aerospace Medical for a term commencing from January 1, 2024 to December 31, 2025, pursuant to which the Group shall procure medical equipment consultation services from Aerospace Medical. The annual cap for the Aerospace Medical Procurement of Consultation Services Framework Agreement is RMB8.5 million for 2024 and RMB10 million for 2025 respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement and the date of Bengang Property Services Agreement, CRC (a controlling shareholder of the Company) indirectly holds approximately 73.72% equity interests in CR Mixc (a company listed on the Stock Exchange, stock code: 1209). As such, Runjia Property Service (Wuhan) and Runjia Property Service (Shenyang), as wholly-owned subsidiaries of CR Mixc, are connected persons of the Company. Accordingly, the New Wugang Property Services Agreement and Bengang Property Services Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the New Wugang Property Services Agreement and Bengang Property Services Agreement exceed 0.1%, but all of them are less than 5%, the transactions contemplated under the New Wugang Property Services Agreement and Bengang Property Services Agreement are subject to the reporting, announcement requirements but are exempt from the circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As of the date of this announcement, CR Healthcare indirectly holds approximately 35.76% equity interests in the Company, and CRC, the controlling shareholder of the Company, indirectly holds the entire equity interests in CR Healthcare and 51% equity interests in Aerospace Medical. As such, CR Healthcare and Aerospace Medical are connected persons of the Company. According to Chapter 14A of the Listing Rules, the CR Healthcare Sales of Medical Supplies Framework Agreement, Aerospace Medical Sales of Medical Supplies Framework Agreement and the transactions contemplated thereunder and 2023 Medical Supplies Sales constitute continuing connected transactions of the Company. Since one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the CR Healthcare Sales of Medical Supplies Framework Agreement, Aerospace Medical Sales of Medical Supplies Framework Agreement and 2023 Medical Supplies Sales exceed 0.1%, but all of them are less than 5%, the transactions contemplated under the CR Healthcare Sales of Medical Supplies Framework Agreement, Aerospace Medical Sales of Medical Supplies Framework Agreement and the corresponding annual caps and 2023 Medical Supplies Sales are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As Aerospace Medical is a connected person of the Company, the Aerospace Medical Procurement of Consultation Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for Aerospace Medical Procurement of Consultation Services Framework Agreement exceed 0.1%, but all of them are less than 5%, the transactions contemplated under the Aerospace Medical Procurement of Consultation Services Framework Agreement and the corresponding annual caps are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Company should have complied with the relevant notification and announcement requirements under Rule 14A.35 of the Listing Rules regarding Bengang Hospital Property Services Agreement and 2023 Medical Supplies Sales. Regrettably, the Company acknowledges that although the Company has put in place a system for the management of connected transactions, deficiencies in the implementation of internal controls have led to inadvertent negligence, resulting in delayed compliance with the relevant requirements under the Listing Rules. Recently, when preparing the Company's annual report and formulating business plans, the relevant business units reviewed the transactions and sought advice from the Board and professional advisors regarding the implications of the Listing Rules. Therefore, it is advised that the Company, after obtaining the approval of the Board of directors, promptly publish this announcement to disclose the details of such transactions.

1. CONNECTED TRANSACTIONS – AGREEMENTS IN RELATION TO PROPERTY SERVICES

New Wugang Property Services Agreement

Reference is made to the announcement of the Company dated November 4, 2022 in relation to the entering into of the Original Wugang Property Services Agreement by Wugang Hospital under the Group and Runjia Property Service (Wuhan) (a wholly-owned subsidiary of CR Mixc) (as service provider) and pursuant to which the latter would provide various property management services, including cleaning, security, fire safety control, etc., to Wugang Hospital for a term of one year.

The Board is pleased to announce that on February 8, 2024, Wugang Hospital and Runjia Property Service (Wuhan) entered into the New Wugang Property Services Agreement, pursuant to which the latter shall continue to provide property management services, including cleaning, security, fire safety control, etc., to Wugang Hospital for a term of one year, with a total service fee of approximately RMB6.133 million (inclusive of VAT).

The major terms of New Wugang Property Services Agreement are set out as follows:

Date: February 8, 2024

Parties:

1. Wugang Hospital; and
2. Runjia Property Services (Wuhan) (as service provider)

Scope of services: Runjia Property Service (Wuhan) shall provide property management services as required by Wugang Hospital, including cleaning service, security service, fire safety control, etc., within the area of Wugang Hospital to help the hospital keep the hospital's environment clean and maintain its orderly daily operations. New Wugang Property Services Agreement was effective from December 23, 2023 for a term of one year.

Service fees and payment arrangement: Wugang Hospital shall pay a monthly service fee of approximately RMB0.511 million to Runjia Property Service (Wuhan) for the services as provided pursuant to New Wugang Property Services Agreement (i.e. approximately RMB6.133 million in total when calculated based on a service term of 12 months). The contracting parties may raise or reduce the amount of service fees according to the fee standards agreed in the New Wugang Property Services Agreement, and such variation should be based on the internal evaluation mechanism or the needs of Wugang Hospital.

According to the latest information available to the Company, it is estimated that the service fees payable by Wugang Hospital to Runjia Property Service (Wuhan) for the property management services to be provided pursuant to the New Wugang Property Services Agreement shall not exceed RMB6.133 million. In case the final service fee amount exceeds the aforementioned estimated amount, the Company will make further announcement and fulfill the relevant requirements under the Listing Rules (if applicable) as and when appropriate.

The abovementioned service fees and payment method are determined through a tender and bidding process required by the Group after arm's length negotiation between the parties on normal commercial terms taking into account the following factors: (1) property type and area involved; (2) scope and standard of services provided; and (3) estimated costs of providing the services, market prices offered by third-party service providers for similar services and the similar fees paid by Wugang Hospital in the past.

Reasons for and Benefits of Entering into New Wugang Property Services Agreement

In light of its daily operations, Wugang Hospital has to acquire property management services to keep the hospital's environment clean and maintain its orderly daily operations, in order to facilitate the business development of the hospital. Runjia Property Service (Wuhan) is a professional and efficient service provider with controllable costs which has been providing property management services to Wugang Hospital with high quality service since October 2021. The Group believes that Runjia Property Service (Wuhan) enjoys geographical advantage and will be able to solve problems arising from its property management services in a timely manner, which can facilitate the efficient and orderly business operation of the hospital and effectively lower its transaction costs. Besides, Wugang Hospital has also taken into account the fact that the property management service providers under CR Mixc have always been capable of providing high quality property management services.

Having considered the above factors, the Directors (including independent non-executive Directors) are of the view that New Wugang Property Services Agreement is entered into on normal commercial terms or better in the ordinary and usual course of business of the Group. The terms of New Wugang Property Services Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. None of the Directors is considered to have any material interest in New Wugang Property Services Agreement. As part of good corporate governance measures, Mr. SONG Qing, Mr. YU Hai, Mr. SHAN Baojie, and Ms. YANG Min, the executive Directors, and Ms. GE Lu, the non-executive Director have abstained from voting on the relevant Board resolutions, as they serve as senior management in CR Holdings and/or CR Healthcare.

Bengang Property Services Agreement

On July 31, 2023, Bengang Hospital (the acquisition of controlling interests of which by the Group was completed on June 25, 2023) and Runjia Property Service (Shengyang) entered into the Bengang Property Services Agreement, pursuant to which Runjia Property Service (Shengyang) would provide property management services to Bengang Hospital for a term of one year, with a total service fee of approximately RMB9.6 million (inclusive of VAT).

The major terms of Bengang Property Services Agreement are set out as follows:

Date: July 31, 2023

Parties: 1. Bengang Hospital; and
2. Runjia Property Service (Shenyang) (as service provider)

Scope of services: Runjia Property Service (Shenyang) shall provide property management services as required by Bengang Hospital, including cleaning service, security service, transfer service, elevator passenger service, medical guidance service, etc., within the area of that hospital to help the hospital keep the hospital's environment clean and maintain its orderly daily operations. Bengang Property Services Agreement took effect from August 1, 2023 for a term of one year.

Service fees and payment arrangement: Bengang Hospital shall pay a monthly service fee of approximately RMB0.8 million to Runjia Property Service (Shenyang) for the services as provided pursuant to Bengang Property Services Agreement (i.e. approximately RMB9.6 million in total when calculated based on a service term of 12 months). The contracting parties may raise or reduce the amount of service fees according to the fee standards agreed in the Bengang Property Services Agreement, and such variation should be based on the internal evaluation mechanism or the needs of Bengang Hospital.

According to the latest information available to the Company, it is estimated that the service fees payable by Bengang Hospital to Runjia Property Service (Shenyang) for the property management services will not exceed RMB9.9 million. In case the final service fee amount exceeds the aforementioned estimated amount, the Company will make further announcement and fulfill the relevant requirements under the Listing Rules (if applicable) as and when appropriate.

The abovementioned service fees and payment method are determined through a tender and bidding process required by the Group after arm's length negotiation between the parties on normal commercial terms taking into account the following factors: (1) property type and area involved; (2) scope and standard of services provided; and (3) estimated costs of providing the services, market prices offered by third-party service providers for similar services and the similar fees paid by the Bengang Hospital in the past.

Reasons for and Benefits of Entering into Bengang Property Services Agreement

In light of its daily operations, Bengang Hospital has to acquire property management services to keep the hospital's environment clean and maintain its orderly daily operations, in order to facilitate the business development of the hospital. Runjia Property Service (Shenyang) is a professional and efficient service provider with controllable costs. The Group believes that Runjia Property Service (Shenyang) enjoys geographical advantage and will be able to solve problems arising from its property management services in a timely manner, which can facilitate the efficient and orderly business operation of the hospital and effectively lower its transaction costs. Besides, Bengang Hospital has also taken into account the fact that the property management service providers under CR Mixc have always been capable of providing high quality property management services.

Having considered the above factors, the Directors (including independent non-executive Directors) are of the view that Bengang Property Services Agreement was entered into on normal commercial terms or better in the ordinary and usual course of business of the Group. The terms of Bengang Property Services Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. None of the Directors is considered to have any material interest in Bengang Property Services Agreement. As part of good corporate governance measures, Mr. SONG Qing, Mr. YU Hai, Mr. SHAN Baojie, and Ms. YANG Min, the executive Directors, and Ms. GE Lu, the non-executive Director have abstained from voting on the relevant Board resolutions, as they serve as senior management in CR Holdings and/or CR Healthcare.

2. CONTINUING CONNECTED TRANSACTIONS – FRAMEWORK AGREEMENT IN RELATION TO THE SALES OF MEDICAL SUPPLIES

Sales of Medical Supplies Framework Agreements

The Board also announces that on February 8, 2024, the Company entered into the Sales of Medical Supplies Framework Agreements with each of CR Healthcare and Aerospace Medical respectively for a term commencing from January 1, 2024 to December 31, 2025, pursuant to which the Group shall supply pharmaceuticals, medical consumables and medical devices to the member hospitals of CR Healthcare (excluding the hospitals of the Group) and the member hospitals of Aerospace Medical.

The major terms of CR Healthcare Sales of Medical Supplies Framework Agreement are set out as follows:

Date: February 8, 2024

Parties: 1. the Company (as supplier); and
2. CR Healthcare

Term: From January 1, 2024 to December 31, 2025

Transaction method: Pursuant to the CR Healthcare Sales of Medical Supplies Framework Agreement, member hospitals of CR Healthcare (excluding the hospitals of the Group) may issue purchase orders to the Group for the procurement of various pharmaceuticals, medical consumables, and medical devices from time to time. The details of each purchase order (including price, payment terms, and delivery arrangements) are to be separately agreed upon based on the principles stipulated in the CR Healthcare Sales of Medical Supplies Framework Agreement.

The major terms of Aerospace Medical Sales of Medical Supplies Framework Agreement are set out as follows:

Date: February 8, 2024

Parties: 1. the Company (as supplier); and
2. Aerospace Medical

Term: From January 1, 2024 to December 31, 2025

Transaction method: Pursuant to the Aerospace Medical Sales of Medical Supplies Framework Agreement, hospitals of Aerospace Medical may issue purchase orders to the Group for the procurement of various pharmaceuticals, medical consumables, and medical devices from time to time. The details of each purchase order (including price, payment terms, and delivery arrangements) are to be separately agreed upon based on the principles stipulated in the Aerospace Medical Sales of Medical Supplies Framework Agreement.

Pricing Principles of Sales of Medical Supplies Framework Agreements

The pricing policy for transactions under the Sales of Medical Supplies Framework Agreements 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 prices are determined by the Group after arm's length negotiation on normal commercial terms taking into account the prevailing market prices, the Group's cost of procurement, the reasonable return on conducting such business and by reference to the Group's member healthcare organizations' purchase consideration for the same type of medical supplies. 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 centralised tendering process 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 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, 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 sales of medical supplies to hospitals of CR Healthcare (excluding the hospitals of the Group) and Aerospace Medical are also subject to such centralised tendering system in the PRC. The contracting parties also negotiate the terms of sales based on the business needs of hospitals of CR Healthcare (excluding the hospitals of the Group) and Aerospace Medical in their daily and general business processes, and the suitability of the related medical supplies. After completion of the abovementioned centralised tendering process and commercial negotiation, the Group will supply the medical supplies to hospitals of CR Healthcare (excluding the hospitals of the Group) and Aerospace Medical on the agreed terms and conditions upon receiving purchase orders specifying the brand, volume and types of products and consumables. If the sales of medical supplies are subject to open tendering process, to ensure fairness of the process, certain designated personnel will be appointed to survey the price of designated medical supplies and ensure the tender pricing meets all such standards. With such pricing information and the accumulated market experience from the long operation track record of the Group, the Company is always able to stay aware of the fair market terms for different supplies.

The contracting parties will enter into separate agreements regarding individual transactions of medical supplies sales under the Sales of Medical Supplies Framework Agreements, and the pricing of such individual medical supplies sales will be determined separately, taking into consideration of the abovementioned factors.

Annual Caps of Sales of Medical Supplies Framework Agreements and Basis of Determination

The table below sets out the annual caps of the Sales of Medical Supplies Framework Agreements for the two financial years ending December 31, 2025.

	Financial year ending	
	December 31,	
	2024	2025
	<i>(RMB)</i>	<i>(RMB)</i>
CR Healthcare Sales of Medical Supplies		
Framework Agreement	45 million	75 million
Aerospace Medical Sales of Medical Supplies		
Framework Agreement	85 million	100 million

From January 1, 2024 to the date of this announcement, no transaction amount has been accrued under the CR Healthcare Sales of Medical Supplies Framework Agreements, and the transaction amount under the Aerospace Medical Supplies Framework Agreements is approximately RMB3.6 million, both of which do not exceed the annual cap for the financial year ending on December 31, 2024.

The abovementioned annual caps are determined with reference to:

- (i) the historical transaction amounts contemplated under 2023 Medical Supplies Sales (with further details set in the later sections); and
- (ii) the expected increase in quantity sales of medical supplies to be sold by the Group to the member hospitals of CR Healthcare (excluding the hospitals of the Group) and the member hospitals of Aerospace Medical in 2024 and 2025, when compared with that of year 2023 which was principally attributable to: (a) the continuous growth in inpatient and outpatient business at those hospitals, and an expectation of maintaining a certain rate of growth from 2024 to 2025; (b) the further integration of the Group's supply chain, incorporating those hospitals into centralized management; and (c) an annual buffer of approximately 5% to 10% for each of the two years ending on December 31, 2025, to accommodate potential expansion and unforeseen circumstances at those hospitals (including future price increases).

2023 Medical Supplies Sales

During the year ended December 31, 2023, the Group sold medical supplies to the member hospitals of Aerospace Medical in order to meet their emerging needs with aggregated transaction amount of approximately RMB23.64 million (unaudited). The pricing principles and arrangement of payment for the 2023 Medical Supplies Sales are the same as those described in the section headed “Pricing Principles of Sales of Medical Supplies Framework Agreements” above.

Reasons for and Benefits of Entering into the Sales of Medical Supplies Framework Agreements and the 2023 Medical Suppliers Sales

The Sales of Medical Supplies Framework Agreements will establish a long-term, stable and good business support and strategic cooperation relationship between the contracting parties. The entering into of the Sales of Medical Supplies Framework Agreements and the 2023 Medical Suppliers Sales are expected to help the Group expand its business scale, create stronger economies of scale and bargaining power, and also help the Group’s affiliated hospitals to seek better terms of business in future procurement of medical supplies.

Having considered the above factors, the Directors (including independent non-executive Directors) are of the view that the Sales of Medical Supplies Framework Agreements and the 2023 Medical Suppliers Sales are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group. The terms and annual caps of the Sales of Medical Supplies Framework Agreements and the 2023 Medical Suppliers Sales are fair and reasonable and in the interests of the Company and its Shareholders as a whole. None of the Directors is considered to have any material interest in the Sales of Medical Supplies Framework Agreements and the 2023 Medical Suppliers Sales. As part of good corporate governance measures, Mr. SONG Qing, Mr. YU Hai, Mr. SHAN Baojie, and Ms. YANG Min, the executive Directors, and Ms. GE Lu, the non-executive Director have abstained from voting on the relevant Board resolutions, as they serve as senior management in CR Holdings and/or CR Healthcare.

3. CONTINUING CONNECTED TRANSACTIONS – FRAMEWORK AGREEMENT IN RELATION TO PROCUREMENT OF CONSULTATION SERVICES

The Board further announces that on February 8, 2024, the Company entered into the Aerospace Medical Procurement of Consultation Services Framework Agreement with Aerospace Medical for a term commencing from January 1, 2024 to December 31, 2025, pursuant to which the Group shall procure consultation services from Aerospace Medical. Regarding the Aerospace Medical Procurement of Consultation Services Framework Agreement, please see below for further details.

Aerospace Medical Procurement of Consultation Services Framework Agreement

The major terms of Aerospace Medical Procurement of Consultation Services Framework Agreement are set out as follows:

Date: February 8, 2024

Parties: 1. the Company; and
2. Aerospace Medical (as service provider)

Term: From January 1, 2024 to December 31, 2025

Scope of services: According to the Aerospace Medical Procurement of Consultation Services Framework Agreement, Aerospace Medical provides medical equipment consulting services and other services to the Group, including organizing large-scale equipment research and formulating centralized procurement equipment purchase plans; organizing and implementing the formulation of personalized demand plans for equipment; providing clinical support for centralized equipment procurement; and organize publicity and implementation of hospital equipment centralized procurement system, etc.

Pricing Principles of Aerospace Medical Procurement of Consultation Services Framework Agreement

The fees related to the Aerospace Medical Procurement of Consultation Services Framework Agreement are determined by the contracting parties based on factors such as the specific scope of cooperation, the expected annual supply of medical supplies, and the geographical area where the specific consultation services are provided with reference to the service fees charged to third-party clients by the Group under same service scope, service content and conditions, expected procurement scale and brand concentration of medical supplies, expected complexity of medical supplies procurement, and expected quality of demand management for medical supplies procurement. The fees shall be mutually agreed upon by both parties through fair negotiations conducted in accordance with normal commercial terms.

The contracting parties will enter into separate agreements regarding individual transactions of consultation services under the Aerospace Medical Procurement of Consultation Services Framework Agreement, and the pricing of such individual consultation services will be determined separately, taking into consideration of the abovementioned factors.

Annual Caps of Aerospace Medical Procurement of Consultation Services Framework Agreement and Basis of Determination

The table below sets out the annual caps of the Aerospace Medical Procurement of Consultation Services Framework Agreement for the two financial years ending December 31, 2025.

	Financial year ending	
	December 31,	
	2024	2025
	<i>(RMB)</i>	<i>(RMB)</i>
Annual Cap	8.5 million	10 million

From January 1, 2024 to the date of this announcement, no transaction amount has been accrued under the Aerospace Medical Procurement of Consultation Services Framework Agreements.

The abovementioned annual caps are determined with reference to: (a) the expected annual supply of medical supplies by the Group; and (b) the expected growth in the cooperation scale between the contracting parties from 2024 to 2025.

Reasons for and Benefits of Entering into the Aerospace Medical Procurement of Consultation Services Framework Agreement

The entering into of the Aerospace Medical Procurement of Consultation Services Framework Agreement shall establish a long-term, stable and mutually beneficial business support and strategic cooperation relationship between the contracting parties. The Aerospace Medical Procurement of Consultation Services Framework Agreement is expected to enhance the Group's medical material supply management efficiency in the cooperative region and medical institutions, while reducing the costs associated with medical material supply management.

Having considered the above factors, the Directors (including independent non-executive Directors) are of the view that the Aerospace Medical Procurement of Consultation Services Framework Agreement is entered into on normal commercial terms or better in the ordinary and usual course of business of the Group. The terms of the Aerospace Medical Procurement of Consultation Services Framework Agreement is fair and reasonable and in the interests of the Company and its Shareholders as a whole. None of the Directors is considered to have any material interest in the Aerospace Medical Procurement of Consultation Services Framework Agreement. As part of good corporate governance measures, Mr. SONG Qing, Mr. YU Hai, Mr. SHAN Baojie, and Ms. YANG Min, the executive Directors, and Ms. GE Lu, the non-executive Director have abstained from voting on the relevant Board resolutions, as they serve as senior management in CR Holdings and/or CR Healthcare.

4. GENERAL INFORMATION

CRC

CRC, a company established in the PRC with limited liability, a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC and is the ultimate beneficiary owner of CR Mixc, CR Healthcare, Aerospace Medical and the Company. CRC, the holding company of China Resources (Holding) Company Limited, is a conglomerate which holds a variety of business in the PRC including but not limited to consumer products, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors.

CR Mixc, Runjia Property Service (Wuhan) and Runjia Property Service (Shenyang)

CR Mixc is a company incorporated in the Cayman Islands with limited liability and its issued shares are listed on the main board of the Stock Exchange (stock code: 1209). As at the date of this announcement, approximately 73.72% of its issued shares are indirectly held by CR Holdings, which is in turn ultimately owned by CRC. CR Mixc is principally engaged in property management and commercial operational services in the PRC, covering residential property management and value-added services, as well as management and operational services for commercial property portfolio including shopping malls and office buildings.

Runjia Property Service (Wuhan) and Runjia Property Service (Shenyang) are wholly-owned subsidiaries of CR Mixc and companies incorporated in the PRC with limited liability. Both are principally engaged in the provision of property management services.

CR Healthcare and Aerospace Medical

CR Healthcare is a company incorporated in Hong Kong with limited liability and is indirectly wholly-owned by CRC, the controlling shareholder of the Company. CR Healthcare is principally engaged in hospital medical services and hospital management business in the PRC.

Aerospace Medical is a company incorporated in the PRC with limited liability and is indirectly wholly-owned by CRC, the controlling shareholder of the Company. Aerospace Medical is principally engaged in hospital medical services, hospital management, medical research, development of clinical trials, and other related activities.

The Group and Relevant Member Hospitals

Headquartered in Beijing, the Group is mainly engaged in the provision of general healthcare services, hospital management services and group purchasing organisation business and other hospital-derived services in the PRC.

Wugang Hospital is a Sponsored Hospital under the Group. It is a grade 3A comprehensive hospital located in Qingshan District, Wuhan City, with over 1,000 beds.

Bengang Hospital is a Sponsored Hospital under the Group. It is a grade 3A comprehensive hospital located in Benxi City of Liaoning Province, with over 1,200 beds. The acquisition of the controlling interest of Bengang Hospital was completed on June 25, 2023.

5. LISTING RULES IMPLICATIONS

As at the date of this announcement and Bengang Property Services Agreement, CRC (a controlling shareholder of the Company) indirectly holds approximately 73.72% equity interests in CR Mixc (a company listed on the Stock Exchange, stock code: 1209). As such, Runjia Property Service (Wuhan) and Runjia Property Service (Shenyang), as wholly-owned subsidiaries of CR Mixc, are connected person of the Company. Accordingly, the New Wugang Property Services Agreement and Bengang Property Services Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the New Wugang Property Services Agreement and Bengang Property Services Agreement exceed 0.1%, but all of them are less than 5%, the transactions contemplated under the New Wugang Property Services Agreement and Bengang Property Services Agreement are subject to the reporting, announcement requirements but are exempt from the circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As of the date of this announcement, CR Healthcare indirectly holds approximately 35.76% equity interest in the Company, and CRC, the controlling shareholder of the Company, indirectly holds the entire equity interests in CR Healthcare and 51% equity interests in Aerospace Medical. As such, CR Healthcare and Aerospace Medical are connected persons of the Company. According to Chapter 14A of the Listing Rules, the CR Healthcare Sales of Medical Supplies Framework Agreement and Aerospace Medical Sales of Medical Supplies Framework Agreement and the transactions contemplated thereunder and 2023 Medical Supplies Sales constitute continuing connected transactions of the Company. Since one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the CR Healthcare Sales of Medical Supplies Framework Agreement, Aerospace Medical Sales of Medical Supplies Framework Agreement and 2023 Medical Sales exceed 0.1%, but all of them are less than 5%, the transactions contemplated under the CR Healthcare Sales of Medical Supplies Framework Agreement, Aerospace Medical Sales of Medical Supplies Framework Agreement and the corresponding annual caps and 2023 Medical Sales are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As Aerospace Medical is a connected person of the Company, the Aerospace Medical Procurement of Consultation Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for Aerospace Medical Procurement of Consultation Services Framework Agreement exceed 0.1%, but all of them are less than 5%, the transactions contemplated under the Aerospace Medical Procurement of Consultation Services Framework Agreement and the corresponding annual caps are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Within 12 months prior to entering into the New Wugang Property Services Agreements, the Sponsored Hospitals under the Group had entered into the following property services agreements with Runjia Property Services (Shanghai) Co., Ltd.* (潤加物業服務(上海)有限公司) (wholly-owned subsidiary of CR Mixc), Runjia Property Services (Shenyang) and Runjia Property Service (Wuhan). Further details are set out below on voluntary basis:

Agreement	Sponsored Hospital under the Group	Property services provider	Date of Agreement	Term of Service	Service Fee (including VAT)
Xukuang Hospital Property Services Agreement	Xukuang Hospital	Runjia Property Service (Shanghai) Co. Ltd.* (潤加物業服務(上海)有限公司)	January 1, 2023	From January 1, 2023 to December 31, 2024	RMB4.16 million
Tiemei General Hospital Property Services Agreement	Tiemei Hospital	Runjia Property Service (Shenyang)	July 1, 2023	From July 1, 2023 to June 30, 2024	RMB5.496 million
Shenmei General Hospital Property Services Agreement	Shenmei Hospital	Runjia Property Service (Shenyang)	August 1, 2023	From August 1, 2023 to July 31, 2024	RMB0.984 million

Agreement	Sponsored Hospital under the Group	Property services provider	Date of Agreement	Term of Service	Service Fee (including VAT)
Fukuang General Hospital Property Services Agreement	Fukuang Hospital	Runjia Property Service (Shenyang)	September 1, 2023	From September 1, 2023 to August 31, 2024	RMB4.452 million
Wugang Hospital Property Services Agreement	Wugang Hospital	Runjia Property Service (Wuhan)	October 21, 2023	From October 22, 2023 to December 21, 2023	RMB0.981 million

In addition, within 12 months prior to entering into the New Wugang Property Services Agreements, Runjia Property Service (Wuhan) Co. Ltd. (Shenzhen branch) also provided property management services to Shenzhen China Resources Healthcare Investments Co., Ltd.* (深圳華潤健康產業投資有限公司) for a service term from September 1, 2023 to August 31, 2026 with total service fee of approximately RMB1.787 million. All applicable percentage ratios in respect of each of above mentioned transactions in respect of property services are less than 0.1%, constituting connected transactions of the Company which are exempt from the Shareholders' approval and all disclosure requirements under Chapter 14A of the Listing Rules.

6. INTERNAL CONTROLS FOR CONNECTED TRANSACTIONS AND REMEDIAL MEASURES

The Company should have complied with the relevant notification and announcement requirements under Rule 14A.35 of the Listing Rules regarding the Bengang Hospitals Property Services Agreements and the 2023 Medical Supplies Sales. Regrettably, the Company acknowledges that although the Company has put in place a system for the management of connected transactions, deficiencies in the implementation of internal controls have led to inadvertent negligence, resulting in delayed compliance with the relevant requirements under the Listing Rules. Recently, when preparing the Company's annual report and formulating business plans, the relevant business units reviewed the transactions and sought advice from the Board and professional advisors regarding the implications of the Listing Rules. Therefore, it is advised that the Company, after obtaining the approval of the Board of directors, promptly publish this announcement to disclose the details of such transactions.

The Company deeply regrets its failure to comply with the Listing Rules and emphasizes that the delay in compliance was inadvertent and unintentional and without malice. To ensure timely compliance with the requirements of the Listing Rules and preventing similar situations from occurring in the future, the Company has implemented the following remedial measures to strengthen its internal control procedures, which are effective immediately:

1. During the preparation of the 2023 annual report, the Company conducted a comprehensive review and self-examination of the connected transaction agreements entered into during 2023 (regardless of whether they met the disclosure threshold), including continuing connected transactions. The Company has issued supplementary announcements disclosing the relevant agreements that should have been disclosed but were previously undisclosed;
2. With the assistance of legal advisors, the Company will adopt and disseminate internal guidelines to remind responsible employees, senior management, hospital administrators and Directors to enhance their understanding in order to identify early on any anticipated triggers of the disclosure requirements and potential issues under the Listing Rules, thus avoiding a recurrence of such matters;
3. The Company will distribute detailed guidelines on connected transactions under the Listing Rules and provide training on a quarterly basis to remind responsible employees, senior management, hospital administrators and Directors, thereby strengthening and consolidating their existing knowledge of connected transactions and their ability to identify potential issues at an early stage so that the Company can comply with the Listing Rules in a timely manner;
4. The Company will cooperate more closely with its internal legal advisors on compliance matters; and
5. The Company will seek advice from other professional consultants when entering into any potential connected transactions, as appropriate and necessary, and will continue to comply with the management procedures concerning connected transactions in the future and make timely disclosures to ensure compliance with the Listing Rules.

7. DEFINITIONS

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

“Aerospace Medical”	Beijing Aerospace Medical Co., Ltd.* (北京航天醫療有限公司), a company established in the PRC with limited liability, which CRC beneficially owns 51% of its equity materials as at the date of this announcement. Please refer to the section headed “General Information” of this announcement for details;
“Aerospace Medical Sales of Medical Supplies Framework Agreement”	the sales of medical supplies framework agreement entered into between Aerospace Medical and the Company on February 8, 2024. Please refer to the section headed “Sales of Medical Supplies Framework Agreements” of this announcement for details;
“Aerospace Medical Procurement of Consultation Services Framework Agreement”	the consultation services framework agreement entered into between Aerospace Medical and the Company on February 8, 2024. Please refer to the section headed “Aerospace Medical Procurement of Consultation Services Framework Agreement” of this announcement for details;
“Bengang Hospital”	Liaoning Province Health Industry Group Bengang General Hospital* (遼寧省健康產業集團本鋼總醫院), a Sponsored Hospital under the Group. Please refer to the section headed “General Information” of this announcement for details;
“Bengang Property Services Agreement”	the property services agreement entered into between Bengang Hospital and Runjia Property Service (Shenyang) on July 31, 2023. Please refer to the section headed “Bengang Property Services Agreement” of this announcement for details;

“Board”	the board of Directors of the Company;
“Company”	China Resources Medical Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1515);
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules;
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules;
“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 Commission of the State Council in the PRC. Please refer to the section headed “General Information” of this announcement for details;
“CR Healthcare”	China Resources Healthcare Group Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of CRC. It owns approximately 35.76% of the issued Shares of the Company as at the date of this announcement. Please refer to the section headed “General Information” of this announcement for details;
“CR Healthcare Sales of Medical Supplies Framework Agreement”	the sales of medical supplies framework agreement entered into between CR Healthcare and the Company on February 8, 2024. Please refer to the section headed “Sales of Medical Supplies Framework Agreements” of this announcement for details;
“CR Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability;

“CR Mixc”	China Resources Mixc Lifestyle Services Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1209). Please refer to the section headed “General Information” of this announcement for details;
“Directors”	the directors of the Company;
“Fukuang Hospital”	Liaoning Province Health Industry Group – Fukuang General Hospital* (遼寧省健康產業集團撫礦總醫院);
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Wugang Property Services Agreement”	the property services agreement entered into between Wugang Hospital and Runjia Property Service (Wuhan) on February 8, 2024. Please refer to the section headed “New Wugang Property Services Agreement” of this announcement for details;
“Original Wugang Property Services Agreement”	the property services agreement entered into between Wugang Hospital and Runjia (Wuhan) Property Service on November 4, 2022;
“PRC”	the People’s Republic of China, which for the purpose of this announcement does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Property Services Agreements”	New Wugang Property Services Agreement and Bengang Property Services Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;

“Runjia Property Service (Wuhan)”	Runjia Property Service (Wuhan) Co. Ltd.* (潤加物業服務(武漢)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CR Mixc. Please refer to the section headed “General Information” of this announcement for details;
“Runjia Property Service (Shenyang)”	Runjia Property Service (Shenyang) Co. Ltd.* (潤加物業服務(瀋陽)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CR Mixc. Please refer to the section headed “General Information” of this announcement for details;
“Sales of Medical Supplies Framework Agreements”	CR Healthcare Sales of Medical Supplies Framework Agreement and Aerospace Medical Sales of Medical Supplies Framework Agreement;
“Share(s)”	ordinary share(s) of HK\$0.00025 each in the share capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Shenmei Hospital”	Liaoning Province Health Industry Group – Shenmei General Hospital* (遼寧省健康產業集團沈煤總醫院);
“Sponsored Hospital(s)”	the hospital(s) in the PRC whose sponsor is the Company or its subsidiary(ies);
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules;
“Tiemei Hospital”	Liaoning Province Health Industry Group – Tiemei General Hospital* (遼寧省健康產業集團鐵煤總醫院);
“VAT”	value added tax;

“Wugang Hospital”	China Resources Wugang General Hospital* (華潤武鋼總醫院), a Sponsored Hospital under the Group. Please refer to the section headed “General Information” of this announcement for details;
“Xukuang Hospital”	Xuzhou Mining Hospital* (徐州市礦山醫院);
“2023 Medical Supplies Sales”	The transactions conducted by the Group during the year ended December 31, 2023, for the sale of medical supplies to the member hospitals of Aerospace Medical;
「%」	percentage.

By order of the Board
China Resources Medical Holdings Company Limited
SONG Qing
Chairman

China, February 8, 2024

As at the date of this announcement, the Board comprises Mr. SONG Qing, Mr. YU Hai, Mr. SHAN Baojie and Ms. YANG Min as executive Directors; Ms. GE Lu as non-executive Director; Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Mr. FU Tingmei and Mr. ZHOU Peng as independent non-executive Directors.

* *For identification purpose only*