
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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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 SUPPLEMENTAL FRAMEWORK AGREEMENT; AND (2) SUPPLY CHAIN MANAGEMENT SERVICES SUPPLEMENTAL COOPERATION FRAMEWORK 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 25 of this circular. The letters from the Independent Board Committees containing its recommendations to the Independent Shareholders is set out on pages 26 to 29 of this circular. A letter from Maxa Capital Limited, the independent financial adviser, containing its advice and recommendations to the Independent Board Committees and the Independent Shareholders is set out on pages 30 to 50 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 Wednesday, June 5, 2024 at 11:00 a.m. (or as soon thereafter as the annual general meeting of the Company convened by a notice of annual general meeting dated April 26, 2024 for the same day and place shall have concluded or adjourned) is set out on pages 56 to 58 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 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 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). 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.

May 22, 2024

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DEFINITIONS

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

“Annual Caps I”	the revised annual caps for the two years ending December 31, 2025 for the transactions contemplated under the CRH PMM Framework Agreement as agreed in the CRH PMM Supplemental Framework Agreement
“Annual Caps II”	the revised annual cap for the year ending December 31, 2024 and the proposed annual cap for the year ending December 31, 2025 for the transactions contemplated under the Cooperation Framework Agreement as agreed in the Supplemental Cooperation Framework Agreement
“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 (stock code: 1515). As at the Latest Practicable Date, CRH beneficially holds 36.58% equity interests in it
“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
“Cooperation Framework Agreement”	the Existing Cooperation Framework Agreement, as supplemented by the Supplemental Cooperation Framework Agreement
“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
“CR Pharmaceutical”	China Resources Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 3320). As at the Latest Practicable Date, CRH beneficially holds 53.05% equity interests in it

DEFINITIONS

“CR Pharmaceutical Group”	CR Pharmaceutical and its subsidiaries
“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
“CRH PMM Supplemental Framework Agreement”	the pharmaceuticals, medical devices and medical consumables supplemental framework agreement entered into between the Company and CRH on April 26, 2024
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on Wednesday, June 5, 2024 for, among others, the Independent Shareholders to consider and, if thought fit, approve (i) the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I, and (ii) the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II
“Existing Cooperation Framework Agreement”	the cooperation framework agreement entered into between CR Pharmaceutical and the Company on December 29, 2022 in respect of the Supply Chain Management Services
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee I”	the independent board committee of the Company comprising Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Mr. FU Tingmei and Mr. ZHOU Peng, all being independent non-executive Directors, to consider the terms of the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I, and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I
“Independent Board Committee II”	the independent board committee of the Company comprising Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong and Mr. ZHOU Peng, all being independent non-executive directors of the Company, to consider the terms of the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II, and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II
“Independent Board Committees”	Independent Board Committee I and Independent Board Committee II
“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 I, the Independent Board Committee II and the Independent Shareholders in respect of (i) the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I and (ii) the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II

DEFINITIONS

“Independent Shareholders”	Shareholders who will not be required under the Listing Rules to abstain from voting at the EGM
“Latest Practicable Date”	May 17, 2024, being the latest practicable date prior to the publication 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)
“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
“RMB”	Renminbi, the lawful currency of the PRC
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Supplemental Cooperation Framework Agreement”	the supplemental cooperation framework agreement entered into between CR Pharmaceutical and the Company on April 26, 2024 in respect of supplemental particulars agreed in relation to the Supply Chain Management Services
“Supply Chain Management Services”	the supply chain management services to be provided by the Group to CR Pharmaceutical Group under the Existing Cooperation Framework Agreement. Further details have been set out in the section headed “The Existing Cooperation Framework Agreement and the Supplemental Cooperation Framework Agreement – Scope of the Supply Chain Management Services” of this circular
「%」	per cent

LETTER FROM THE BOARD



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. YU Hai (*Chief Executive Officer*)
Mr. SHAN Baojie (*Vice President*)
Ms. YANG Min (*Chief Financial Officer*)

Non-executive Director:

Ms. GE Lu

Independent non-executive Directors:

Mr. WU Ting Yuk, Anthony
Mr. KWONG Kwok Kong
Mr. FU Tingmei
Mr. ZHOU Peng

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

*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

May 22, 2024

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
(1) CRH PMM SUPPLEMENTAL FRAMEWORK AGREEMENT;
AND
(2) SUPPLY CHAIN MANAGEMENT SERVICES SUPPLEMENTAL
COOPERATION FRAMEWORK AGREEMENT
AND
NOTICE OF THE EGM**

A. INTRODUCTION

References are made to: (i) the announcement of the Company dated November 18, 2022 and the circular of the Company dated December 13, 2022 in relation to, among other things, the entering into of the CRH PMM Framework Agreement; (ii) the announcement of the Company

LETTER FROM THE BOARD

dated April 26, 2024 in relation to the entering into of the CRH PMM Supplemental Framework Agreement; (iii) the joint announcement of the Company and CR Pharmaceutical dated December 29, 2022 in relation to the entering into of the Existing Cooperation Framework Agreement; and (iv) the joint announcement of the Company and CR Pharmaceutical dated April 26, 2024 in relation to the entering into of the Supplemental Cooperation Framework Agreement.

On April 26, 2024, the Company and CRH entered into the CRH PMM Supplemental Framework Agreement in relation to revision of the annual caps for the years ending December 31, 2024 and December 31, 2025, respectively, under the CRH PMM Framework Agreement.

On April 26, 2024, the Company and CR Pharmaceutical entered into the Supplemental Cooperation Framework Agreement for the purpose of revising the annual cap under the Existing Cooperation Framework Agreement for the year ending December 31, 2024, extending the term of the Existing Cooperation Framework Agreement to December 31, 2025 and agreeing on the proposed annual cap for the transactions under the Cooperation Framework Agreement for the year ending December 31, 2025.

The purpose of this circular is to provide you with, among other things, (i) details relating to the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I; (ii) details relating to the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II; (iii) a letter of recommendation from the Independent Board Committee I to the Independent Shareholders; (iv) a letter of recommendation from the Independent Board Committee II to the Independent Shareholders; (v) a letter of recommendation from the Independent Financial Adviser to the Independent Shareholders, the Independent Board Committee I and the Independent Board Committee II; (vi) the notice of the EGM; and (vii) other information under the Listing Rules.

B. CRH PMM FRAMEWORK AGREEMENT AND CRH PMM SUPPLEMENTAL FRAMEWORK AGREEMENT

The salient terms of the CRH PMM Framework Agreement and the CRH PMM Supplemental Framework Agreement are set out below.

Date:	November 18, 2022 (CRH PMM Framework Agreement) and April 26, 2024 (CRH PMM Supplemental Framework Agreement)
Parties:	CRH and the Company
Term:	From January 1, 2023 to December 31, 2025

LETTER FROM THE BOARD

Transaction Method

Pursuant to the CRH PMM Framework Agreement, members of the CR Group may supply PMM Items to the Group from time to time. The Group 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 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 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 determined based on market prices and on normal commercial terms or terms no less favourable than those made available to the Group from independent third parties.

Pharmaceuticals

The procurement prices of pharmaceuticals shall be determined with reference to the prices (the “**Guided Prices I**”) as published by the sunshine procurement service platform (陽光採購平台) for the relevant location which is designated by the relevant local Healthcare Security Administration (醫療保障局). The Guided Prices I are generally determined through the tendering process of the sunshine procurement service platform system or the results of centralized bulk-buying negotiation (帶量集中採購談判). The determination of the Guided Prices I is ultimately regulated by the relevant local Healthcare Security Administration in various provinces and municipalities.

Medical consumables

The procurement prices of medical consumables shall be determined with reference to the prices (the “**Guided Prices II**”) as published by the sunshine procurement service platform for the relevant location (to the extent that such consumables have been included in the platform) which is designated by the relevant local Healthcare Security Administration in various provinces and municipalities. The Guided Prices II are generally determined through the tendering process of the sunshine procurement service platform system or the results of centralized bulk-buying negotiation. The determination of the Guided Prices II is ultimately regulated by the relevant local Healthcare Security Administration. As for the medical consumables which have not been included in the sunshine procurement service platform for the relevant location, there is no official guided price. Their procurement prices shall be determined after arm’s length negotiation on normal commercial terms taking into account the prevailing market prices for the same type of medical consumables.

LETTER FROM THE BOARD

Medical devices and non-medical supply

For medical devices and non-medical supply, there is no official guided price. Their procurement prices shall be determined after arm's length negotiation on normal commercial terms taking into account the prevailing market prices for the same type of medical devices and non-medical supply.

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 is subject to a centralized tendering process, which forms the basis of determination of the Guided Prices I and the Guided Prices II.

The centralized 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 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.

In addition, regardless of whether there are guided prices of the relevant PMM Items, and similar to other independent third-party suppliers, when supplying any PMM product to the Group, members of the CR Group are also required to go through the selection and approval procedures adopted by the Group as well as the commercial negotiation process in order to become a supplier of the Group. The centralized procurement process of the Group is summarized as follows:

- (a) conduct market research on the procurement exercise of the relevant PMM Items;

LETTER FROM THE BOARD

- (b) prepare the procurement proposals and documents in respect of the relevant PMM Items and obtain internal approval for the contemplated procurement amount(s) pursuant to the pricing policy;
- (c) publish the procurement proposals and documents, obtain quotations documents (including from members of the CR Group and, where possible, no less than two independent third-party suppliers), and negotiate the terms of procurement through the CR Shouzheng Electronic Tendering and Procurement Platform (華潤集團守正電子招標採購平台);
- (d) evaluate the tender submitted by each participating supplier with reference to, among others, (1) the competitiveness of the fee quotation and its compliance with the pricing policy; (2) the suitability of the relevant PMM Items to the Group; and (3) the business needs of the Group in their ordinary and usual course of business, thereby developing a bidding results review report;
- (e) obtain internal approval for the actual procurement amount(s) in accordance with the bidding results; and
- (f) publish a notice of the bidding results on the CR Shouzheng Electronic Tendering and Procurement Platform, notify the bidding results to the concerned member hospital(s) and the distribution business department of the Company, and complete the filing of the procurement documents.

After completion of the abovementioned centralized procurement process and commercial negotiation, members of the CR Group will supply the PMM Items to the Group on the agreed terms and conditions upon receiving purchase orders specifying the brand, volume and types of products and consumables.

If the supply of PMM Items from members of the CR Group to the Group is subject to open tendering process, to ensure fairness of the process, certain designated personnel (such as the responsible person of the procurement department, the responsible person of the operations department and members of the procurement committee (which comprises the personnel-in-charge of the strategic operations department, the finance department, the discipline development and innovation department and the supply chain business unit) of the Group) will be appointed to survey the price of designated PMM Items and ensure the tender pricing meets all such standards.

From time to time, sales agents are required to produce pricing guides as part of their pitching. 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.

LETTER FROM THE BOARD

Annual Caps and Transaction Amounts

The table below sets out the existing annual caps for the three financial years ending December 31, 2025 and the historical transaction amounts for the year ended December 31, 2023 and the three months ended March 31, 2024 under the CRH PMM Framework Agreement:

	Financial year ending December 31,		
	2023 <i>(RMB million)</i>	2024 <i>(RMB million)</i>	2025 <i>(RMB million)</i>
Annual caps	900.0	1,100.0	1,200.0
		Financial	Three months
		year ended	ended
		December 31,	March 31,
		2023	2024
		<i>(RMB million)</i>	<i>(RMB million)</i>
Historical transaction amounts		871.0	318.0

The annual cap for the year ended December 31, 2023 had not been exceeded. As at the Latest Practicable Date, the corresponding annual cap for the year ending December 31, 2024 has not been exceeded.

Pursuant to the CRH PMM Supplemental Framework Agreement, the existing annual caps under the CRH PMM Framework Agreement shall be revised as follows:

	Financial year ending	
	December 31,	
	2024	2025
	<i>(RMB million)</i>	<i>(RMB million)</i>
Annual Caps I	1,600.0	2,200.0

Except for the amendments and supplements specified in the CRH PMM Supplemental Framework Agreement, all other terms and conditions of the CRH PMM Framework Agreement shall remain unchanged.

LETTER FROM THE BOARD

BASIS OF DETERMINATION OF THE ANNUAL CAPS I

The Annual Caps I are determined primarily based on arm's length negotiations between the Company and CRH with reference to, among others:

- (i) the total historical transaction amount for the financial year ended December 31, 2023 as set out above (representing a utilisation rate of approximately 96.78% of the annual cap for the year ended 31 December 2023 under the CRH PMM Framework Agreement);
- (ii) the total historical transaction amount for the three months ended March 31, 2024;
- (iii) the anticipated increase in the procurement of the PMM Items from the CR Group as compared with the existing annual caps for the two financial years ending December 31, 2025 under the CRH PMM Framework Agreement, which was principally attributable to:
 - (a) the further expansion of the Group's hospital network, including but not limited to the significant increase in the number of medical institutions after the completion of the acquisitions of China Resources Healthcare (Liaoning) Group Co., Ltd.* (華潤健康(遼寧)集團有限公司), Shenzhen China Resources Healthcare Industry Investment Co., Ltd.* (深圳華潤健康產業投資有限公司) and CR Healthcare (Jiangxi) Co., Ltd.* (華潤健康(江西)有限公司) in June 2023 (the "Acquisitions") (for further details, please see the announcements of the Company dated February 22, 2023 and June 30, 2023 and the circular of the Company dated April 26, 2023), which resulted in an increased demand for PMM Items by the Group;
 - (b) the changes in the business arrangements of the Group, in particular, after the completion of the Acquisitions, Beijing Wanrong Yikang Medical Pharmaceutical Co., Ltd. (北京萬榮億康醫藥有限公司), a subsidiary of the Group, has taken over the business of procurement of medical devices from CR Healthcare (i.e. the seller in the Acquisitions), which resulted in an increased demand for medical devices by the Group;
 - (c) the increase in the scale of medical revenue of the Group which resulted in the corresponding increase in the scale of the Group's procurement of, among others, PMM Items;
 - (d) the continuous growth in the regional business influence and competitiveness of the CR Group which leads to a rising demand for and an increased purchase volume of, among others, PMM Items by the Group from the CR Group; and

LETTER FROM THE BOARD

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

The historical utilisation rate as set out in (i) above was only one of the factors taken into account by the Company and CRH in determining the Annual Caps I. After considering all the relevant factors holistically, the Company considers that the Annual Caps I are appropriate in the circumstances.

REASONS FOR AND BENEFITS OF THE CRH PMM FRAMEWORK AGREEMENT AND THE CRH PMM SUPPLEMENTAL 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 the CR Group and the Group has been in place for a number of years. The cooperation between the Company and CRH under the CRH PMM Framework Agreement and the CRH PMM Supplemental Framework Agreement will help secure a continued supply of the PMM Items which are essential for the daily operation of the Group. The CR Group is currently selected as one of the suppliers of the Group mainly because of, among others, its competitiveness and willingness to offer favourable commercial terms following arm's length negotiations as compared to the other existing suppliers of the Group. In addition, the Group has 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 operates, and its capability to offer better pricing and credit terms to the Group when compared with the other existing suppliers. In selecting the suppliers of the Group (whether or not such suppliers are connected persons), the Group is 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.

In view of the continuous expansion of the Company and the corresponding increase in the scale of its supply chain management, together with the further integration and centralized management of the supply chain of the Group, the procurement of PMM Items by the Group from the CR Group continued to increase. Accordingly, the Company and CRH entered into the CRH PMM Supplemental Framework Agreement to increase the relevant annual caps for the two financial years ending December 31, 2025 in order to meet the actual procurement needs for PMM Items of the Group.

LETTER FROM THE BOARD

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

In view of the above, the Directors (including the members of the Independent Board Committee I whose views are set out in the section headed "Letter from the Independent Board Committee I" in this circular, after considering the advice from Maxa Capital) consider that both the CRH PMM Framework Agreement and the CRH PMM Supplemental Framework 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 terms of the CRH PMM Framework Agreement and the CRH PMM Supplemental Framework Agreement (in particular, the Annual Caps I under the CRH PMM Supplemental Framework 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 the CRH PMM Supplemental 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 CRH and/or CR Healthcare.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CRH is a controlling shareholder of the Company and is a connected person of the Company. Therefore, the CRH PMM Supplemental Framework Agreement and the transactions contemplated thereunder 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) in respect of the Annual Caps I exceed 5%, the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I are subject to the requirements of reporting, annual review, announcement, circular and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

C. THE EXISTING COOPERATION FRAMEWORK AGREEMENT AND THE SUPPLEMENTAL COOPERATION FRAMEWORK AGREEMENT

The major terms of the Cooperation Framework Agreement are set out as follows:

Date of the Supplemental Cooperation Framework Agreement: April 26, 2024

Parties:

1. CR Pharmaceutical; and
2. the Company (as service provider)

Duration: The term of the Existing Cooperation Framework Agreement is from January 1, 2023 to December 31, 2024. Pursuant to the Supplemental Cooperation Framework Agreement, the term of the Existing Cooperation Framework Agreement is extended to end on December 31, 2025. Subject to compliance with the Listing Rules and other applicable laws and regulations, the Company and CR Pharmaceutical may renew the term of the Cooperation Framework Agreement.

Scope of the Supply Chain Management Services

The Group shall provide CR Pharmaceutical Group with Supply Chain Management Services of medical supplies which include establishing regional supply chain management platforms in specific regions and streamlining supply chain management procedures, based on the conditions of management, business operation and other relevant factors of CR Pharmaceutical Group. Through systems integration, the Supply Chain Management Services shall optimise the mechanism and enhance the process of supply chain management of medical supplies in order to assist CR Pharmaceutical Group in improving efficiency and reducing the costs.

Pricing Basis and Pricing Policies

CR Pharmaceutical Group shall pay management service fees to the Group for the provision of the Supply Chain Management Services. The relevant fee is calculated by multiplying the management service fee rate by the scale of the Supply Chain Management Services provided to CR Pharmaceutical Group in specific regions within a specified period of time or in a specific scope.

LETTER FROM THE BOARD

The Company and CR Pharmaceutical shall determine the abovementioned scale of the Supply Chain Management Services based on the following factors including (1) the specific cooperation regions or the scope of specific medical institutes (different cooperation regions and different scope of specific medical institutes would have different number of medical institutes, different traffic of customers and/or different requirements for the types/categories of medical supplies, thereby affecting the volume of supply of medical supplies by CR Pharmaceutical Group and the resulting demand for the Supply Chain Management Services by CR Pharmaceutical Group); (2) the expected volume of the corresponding annual supply of medical supplies (if there is expected to be a high volume of annual supply of medical supplies by CR Pharmaceutical Group, CR Pharmaceutical Group will naturally have a higher demand for the Supply Chain Management Services to cater for the correspondingly enhanced procurement, sale and management of medical supplies); and (3) the nature of the geographic area where specific management services are provided (different nature of the geographic area (e.g. high concentration of medical institutes, favourable pharmaceuticals-related government policies, well-developed logistics, transportation and warehousing network etc.) where specific management services are provided would entail different traffic of customers and/or different requirements for the types/categories of medical supplies, thereby affecting the volume of supply of medical supplies by CR Pharmaceutical Group and the resulting demand for the Supply Chain Management Services by CR Pharmaceutical Group).

In respect of the management service fee rates for the Supply Chain Management Services, the Company and CR Pharmaceutical shall determine specific fee rates via arm's length negotiation between them and on normal commercial terms and with reference to management service fee rates provided to third-party clients of the Group under similar service scope, service types and conditions, and the specifications of expected medical supplies and the number of brands involved, the expected medical material supply management complexity and the expected quality of the management services (i.e. the expected results of supply management services including timely arrival rate, quality pass rate and cost control effect, etc.). The Board is of the view that the transactions contemplated under the Cooperation Framework Agreement will take into account all the abovementioned relevant factors when determining the management service fees payable to the Group thereunder, and therefore will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Separate agreements will be entered into by the Company and CR Pharmaceutical in respect of specific Supply Chain Management Services pursuant to the Cooperation Framework Agreement, in which management service fee rates shall be determined on a case-by-case basis taking into account the factors mentioned above. The corresponding payment terms shall also be separately agreed in accordance with the principles laid down in the Cooperation Framework Agreement.

LETTER FROM THE BOARD

Annual Caps and Basis of Determination

The annual caps for the transactions under the Existing Cooperation Framework Agreement for the two years ending December 31, 2024 are set out below:

	For the year ending December 31,	
	2023	2024
	<i>(RMB)</i>	<i>(RMB)</i>
Annual caps	74,000,000	84,000,000

As at the Latest Practicable Date, the corresponding annual cap for the year ending December 31, 2024 has not been exceeded.

Pursuant to the Supplemental Cooperation Framework Agreement, the Company and CR Pharmaceutical agreed to revise the annual cap for the transactions under the Cooperation Framework Agreement for the year ending December 31, 2024 and to agree on the proposed annual cap for the transactions under the Cooperation Framework Agreement for the year ending December 31, 2025, which are set forth as follows.

	For the year ending December 31,	
	2024	2025
	Revised	Proposed
	annual cap	annual cap
	<i>(RMB)</i>	<i>(RMB)</i>
Annual Caps II	150,000,000	200,000,000

The Annual Caps II are determined based on arm's length negotiations between CR Pharmaceutical and the Company with reference to, among others, the following factors:

- (a) the historical total amount of management service fees paid by CR Pharmaceutical Group to the Group in the amount of RMB38 million for the year ended December 31, 2023 under the Existing Cooperation Framework Agreement (representing a utilisation rate of approximately 51.35% of the annual cap for the year ended 31 December 2023 under the Existing Cooperation Framework Agreement, mainly due to delays in the progress of collaboration in certain regions between CR Pharmaceutical Group and the Group, which have been taken into account when determining the expected schedule of management fees payable by CR Pharmaceutical Group to the Group for the two years ending December 31, 2024 and December 31, 2025);

LETTER FROM THE BOARD

- (b) the historical total amount of management service fees paid by CR Pharmaceutical Group to the Group in the amount of RMB16 million for the three months ended March 31, 2024, based on the Company's and CR Pharmaceutical's unaudited management accounts;
- (c) the further expansion of the Group's hospital network which resulted in the broadening of the scope of the Supply Chain Management Services (in terms of such services in respect of an increased variety and volume of pharmaceutical products and in terms of more extensive geographical locations) that could be provided by the Group under the Cooperation Framework Agreement;
- (d) the continuous growth in the regional business performance of CR Pharmaceutical Group (in terms of more extensive geographical coverage of its business (including the expansion into Liaoning province and Jiangxi province) and further diversified types of pharmaceuticals that it supplies (such as generic western medicines and chinese medicine tablets)) which leads to (i) an expected increase in the volume of the annual supply of medical supplies by CR Pharmaceutical Group and (ii) a rising demand by CR Pharmaceutical Group for the Supply Chain Management Services provided by the Group in order to improve the operational efficiency of the supply chain management of the medical supplies; and
- (e) the possible further increase in the level of cooperation between the Company and CR Pharmaceutical in 2024 and 2025.

The historical utilisation rate as set out in above was only one of the factors taken into account by the Company and CR Pharmaceutical in determining the Annual Caps II. After considering all the relevant factors holistically, the Company considers that the Annual Caps II are appropriate in the circumstances notwithstanding the relatively low utilisation rate of the annual cap for the year ended 31 December 2023 under the Existing Cooperation Framework Agreement. In view of all the relevant factors in determining the Annual Caps II, the Board considers that the Annual Caps II, which represent a significant increment as compared to the existing annual caps under the Existing Cooperation Framework Agreement, to be fair and reasonable.

Save for the Annual Caps II and the duration of the agreement, the other terms and conditions of the Existing Cooperation Framework Agreement remain in full force and effect.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL COOPERATION FRAMEWORK AGREEMENT

CR Pharmaceutical Group has continued to grow in its regional business influence which leads to its increasing supply of medical supplies. At the same time, the Group has continued to expand its hospital network which resulted in the increasing scale and scope of its supply chain management business. As such, both the scale and scope of the cooperation between CR Pharmaceutical Group and the Group in relation to the Supply Chain Management Services has been increasing continuously. Accordingly, the Company entered into the Supplemental Cooperation Framework Agreement to increase the relevant annual cap for the year ending December 31, 2024 in order to meet the actual needs of CR Pharmaceutical Group and the Group in respect of the Supply Chain Management Services. Furthermore, the extended term of the Cooperation Framework Agreement together with the corresponding annual cap for the year ending December 31, 2025 will enable CR Pharmaceutical Group and the Group to further enhance their cooperation, thereby improving the efficiency of supply chain management of medical supplies in the cooperation regions and reducing relevant costs. CR Pharmaceutical Group will be able to ensure steady supply of Supply Chain Management Services from the Group while the Group will be able to receive a greater sum of management fees for more services provided and to continue growing its supply chain management service business.

The Company believes that the entering into of the Cooperation Framework Agreement shall establish long-term, stable and satisfactory business support and strategic cooperation relationship between the Company and CR Pharmaceutical. The Cooperation Framework Agreement is expected to improve the efficiency of the supply chain management of the medical supplies of CR Pharmaceutical Group in the regions or its partner medical institutions, and reduce the associated supply chain management costs. The Group shall also receive supply chain management service fees from CR Pharmaceutical Group in respect of the provision of the Supply Chain Management Services accordingly.

In view of the above, the Directors (including the members of the Independent Board Committee II, whose views are set out in the section headed “Letter from the Independent Board Committee II” in this circular, after considering the advice from Maxa Capital) consider that the Existing Cooperation Framework Agreement and the Supplemental Cooperation Framework Agreement were negotiated on an arm’s length basis and entered into on normal commercial terms, in the ordinary and usual course of business of the Group, and the terms of the Supplemental Cooperation Framework Agreement (in particular, the Annual Caps II under the Supplemental Cooperation Framework Agreement) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

None of the Directors is considered to have any material interest in the Supplemental Cooperation 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 CRH and/or CR Healthcare; and Mr. FU Tingmei, an independent non-executive Director of each of the Company and CR Pharmaceutical, has abstained from voting on the corresponding relevant Board resolutions given his overlapping roles as a director in the Company and CR Pharmaceutical.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CRH beneficially holds 36.58% equity interests in the Company and 53.05% equity interests in CR Pharmaceutical, respectively, it is therefore the controlling shareholder of both the Company and CR Pharmaceutical, and the Company and CR Pharmaceutical are connected persons of each other. Accordingly, the transactions contemplated under the Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Caps II exceed 5%, the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II are subject to the requirements of reporting, annual review, announcement, circular and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

D. 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 (i) the CRH PMM Framework Agreement and the CRH PMM Supplemental Framework Agreement and (ii) the Cooperation Framework Agreement, and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the relevant 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.

LETTER FROM THE BOARD

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:

- (a) if the supply of PMM Items from members of the CR Group to the Group is subject to open tendering process, the Group will appoint certain designated personnel (such as the responsible person of the procurement department, the responsible person of the operations department and members of the procurement committee (which comprises the personnel-in-charge of the strategic operations department, the finance department, the discipline development and innovation department and the supply chain business unit) of the Group) to review the prices of designated PMM Items and to ensure the tender pricing meets all such standards and the fairness of the tendering process;
- (b) 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, the Company would be able to keep abreast of the fair market terms for different supplies;
- (c) 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 the relevant transactions to the management of the Group on a regular basis; and
- (d) 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.

To protect the Shareholders' interests, the Group will adopt the following internal control procedures and corporate governance measures when been engaged by CR Pharmaceutical Group for the provision of the Supply Chain Management Services:

- (a) the Group will appoint certain designated personnel (such as the personnel-in-charge of the strategic operations department, the finance department, the discipline development and innovation department and the supply chain business unit) to review the prices of comparable Supply Chain Management Services from time to time based on the fee quotations for the Supply Chain Management Services provided by the Group to (where possible) no less than two independent third parties and, with such pricing information and the accumulated market experience from the long operation track record of the Group, the Company would be able to keep abreast of the fair market terms for different services;
- (b) the Group will closely monitor the transactions contemplated under any agreements for the provision of the Supply Chain Management Services to CR Pharmaceutical Group and will report on the relevant transactions to the management of the Group on a regular basis;

LETTER FROM THE BOARD

- (c) the Group will review the amounts of the transactions with CR Pharmaceutical Group on a regular basis in order to monitor and ensure that the proposed annual caps will not be exceeded;
- (d) in terms of assessment criteria of the management service fee payable by CR Pharmaceutical Group to the Group, the Group will ensure that such fee rates were no less favourable than the fee rates payable by independent third parties to the Group based on the fee quotations for the Supply Chain Management Services provided by the Group to (where possible) no less than two independent third parties; and
- (e) in terms of approval process, the Group will check and ensure that there is due and valid authorisation from the management (including the approval by the relevant personnel within the Group such as the personnel-in-charge of the strategic operations department, the finance department, the discipline development and innovation department and the supply chain business unit) for the entering into and signing of each transaction document under the Cooperation Framework Agreement.

E. 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 sale of pharmaceuticals, medical devices and medical consumables and provision of other hospital-derived services in the PRC.

CRH

CRH is a company incorporated in Hong Kong with limited liability. It is a controlling shareholder of the Company and the intermediate holding company of CR Pharmaceutical. It indirectly owns approximately 36.58% of the issued shares of the Company as at the Latest Practicable Date. 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 Pharmaceutical and CR Pharmaceutical Group

CR Pharmaceutical Group's core business encompasses research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products.

LETTER FROM THE BOARD

F. INDEPENDENT BOARD COMMITTEE I, INDEPENDENT BOARD COMMITTEE II AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee I, comprising Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Mr. FU Tingmei and Mr. ZHOU Peng, all being independent non-executive Directors, has been established to consider the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I. None of the members of the Independent Board Committee I has any material interest in the CRH PMM Supplemental Framework Agreement.

The Independent Board Committee II, comprising Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong and Mr. ZHOU Peng, all being independent non-executive Directors, has been established to consider the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II. As Mr. FU Tingmei is an independent non-executive director of each of the Company and CR Pharmaceutical, he has been excused from being a member of the Independent Board Committee II.

Maxa Capital has been appointed with the approval of (i) the Independent Board Committee I as the Independent Financial Adviser of the Company to advise the Independent Board Committee I and the Independent Shareholders in relation to the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I, and (ii) the Independent Board Committee II as the Independent Financial Adviser of the Company to advise the Independent Board Committee II and the Independent Shareholders in relation to the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II.

LETTER FROM THE BOARD

G. EGM

The Company will convene the EGM on Wednesday, June 5, 2024 at 11:00 a.m. (or as soon thereafter as the annual general meeting of the Company convened by a notice of annual general meeting dated April 26, 2024 for the same day and place shall have concluded or adjourned) 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 (i) the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I, and (ii) the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II. The notice of the EGM is set out on pages 56 to 58 of this circular. Pursuant to the Listing Rules, the votes of the Independent Shareholders on the proposed ordinary resolutions approving (i) the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I, and (ii) the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II, 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.

Any Shareholders who have a material interest in the CRH PMM Supplemental Framework Agreement and/or the Supplemental Cooperation Framework Agreement 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 both the CRH PMM Supplemental Framework Agreement and the Supplemental Cooperation Framework Agreement. As such, CRH and its associates (as described above) shall abstain from voting on the ordinary resolutions approving (i) the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I, and (ii) the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II, at the EGM.

Save as disclosed above, as at the Latest Practicable Date, no other Shareholder has any material interests in the CRH PMM Supplemental Framework Agreement and/or the Supplemental Cooperation Framework Agreement and no other Shareholder is required to abstain from voting on the ordinary resolutions approving (i) the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I, and (ii) the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II, at the EGM.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the HKEXnews website (www.hkexnews.hk) and the Company's website (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). 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.

H. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee I set out on pages 26 to 27 of this circular which contains its opinion and recommendations on the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I; (ii) the letter from the Independent Board Committee II set out on pages 28 to 29 of this circular which contains its opinion and recommendations on the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee I, the Independent Board Committee II and the Independent Shareholders set out on pages 30 to 50 of this circular which contains its advice on (a) the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I and (b) the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice; and (iv) additional information set out in the Appendix to this circular.

The Directors (including the members of the Independent Board Committee I whose views are set out in the section headed "Letter from the Independent Board Committee I" in this circular, after considering the advice from Maxa Capital) consider that both the CRH PMM Framework Agreement and the CRH PMM Supplemental Framework 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 terms of the CRH PMM Framework Agreement and the CRH PMM Supplemental Framework Agreement (in particular, the Annual Caps I under the CRH PMM Supplemental Framework Agreement) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Independent Board Committee I recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I at the EGM.

The Directors (including the members of the Independent Board Committee II, whose views are set out in the section headed “Letter from the Independent Board Committee II” in this circular, after considering the advice from Maxa Capital) consider that the Existing Cooperation Framework Agreement and the Supplemental Cooperation Framework 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 terms of the Supplemental Cooperation Framework Agreement (in particular, the Annual Caps II under the Supplemental Cooperation Framework Agreement) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, the Independent Board Committee II recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II 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 (a) the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I and (b) the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II at the EGM.

Yours faithfully,

For and on behalf of the Board

China Resources Medical Holdings Company Limited

SONG Qing

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE I



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)

May 22, 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS CRH PMM SUPPLEMENTAL FRAMEWORK AGREEMENT

We refer to the circular of the Company dated May 22, 2024 (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 I to consider and advise the Independent Shareholders as to whether, in our opinion, the entering into of the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I, 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 I 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 25 of the Circular and the letter from Maxa Capital set out on pages 30 to 50 of the Circular.

Having considered the terms of the CRH PMM Supplemental Framework Agreement and the advice given by Maxa Capital, we are of the opinion that the terms of and the transactions contemplated under the CRH PMM Supplemental Framework Agreement and the Annual Caps I are fair and reasonable, on normal commercial terms and the CRH PMM Supplemental Framework Agreement is 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 I

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the entering into of the CRH PMM Supplemental Framework Agreement, the transactions contemplated thereunder and the Annual Caps I at the EGM.

Yours faithfully,

Independent Board Committee I

**Mr. WU Ting Yuk,
Anthony**

*Independent non-
executive Director*

**Mr. KWONG Kwok
Kong**

*Independent non-
executive Director*

Mr. FU Tingmei

*Independent non-
executive Director*

Mr. ZHOU Peng

*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE II



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)

May 22, 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS SUPPLY CHAIN MANAGEMENT SERVICES SUPPLEMENTAL COOPERATION FRAMEWORK AGREEMENT

We refer to the circular of the Company dated May 22, 2024 (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 II to consider and advise the Independent Shareholders as to whether, in our opinion, the entering into of the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II, 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 II 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 25 of the Circular and the letter from Maxa Capital set out on pages 30 to 50 of the Circular.

Having considered the terms of the Supplemental Cooperation Framework Agreement and the advice given by Maxa Capital, we are of the opinion that the terms of and the transactions contemplated under the Supplemental Cooperation Framework Agreement and the Annual Caps II are fair and reasonable, on normal commercial terms and the Supplemental Cooperation Framework Agreement is 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 II

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the entering into of the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder and the Annual Caps II at the EGM.

Yours faithfully,

Independent Board Committee II

Mr. WU Ting Yuk, Anthony

Independent non-executive

Director

Mr. KWONG Kwok Kong

Independent non-executive

Director

Mr. ZHOU Peng

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 Committees and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 2602, 26/F, Golden Center
188 Des Voeux Road Central
Sheung Wan
Hong Kong

May 22, 2024

To the Independent Board Committees and the Independent Shareholders

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
(1) CRH PMM SUPPLEMENTAL FRAMEWORK AGREEMENT;
AND
(2) SUPPLY CHAIN MANAGEMENT SERVICES SUPPLEMENTAL
COOPERATION FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee I and Independent Board Committee II (collectively the “**Independent Board Committees**”) and the Independent Shareholders in relation to the CRH PMM Supplemental Framework Agreement and the Supplemental Cooperation Framework Agreement (collectively, the “**Supplemental CCT Agreements**”), the transactions contemplated thereunder and the corresponding revised or proposed annual caps for the year ending December 31, 2024 and December 31, 2025, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated May 22, 2024 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.

Reference is made to the (i) announcement of the Company dated November 18, 2022 and the circular of the Company dated December 13, 2022 in relation to, among others, the entering into of the CRH PMM Framework Agreement between CRH and the Company in respect of members of the CR Group may supply PMM Items to the Group from time to time. The CRH PMM Framework Agreement, the transactions contemplated thereunder and the relevant annual caps for the three years ending December 31, 2025 (the “**Existing Annual Caps I**”) was approved by the Independent Shareholders at the special general meeting of the Company held on December 29, 2022; and (ii) announcement of the Company dated December 29, 2022 in relation to, among others, the entering into of the Existing Cooperation Framework Agreement between the Company and CR Pharmaceutical in respect of the Supply Chain Management Services provided by the Group to CR Pharmaceutical Group and corresponding annual caps (the “**Existing Annual Caps II**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On April 26, 2024, the Company and CRH entered into the CRH PMM Supplemental Framework Agreement in relation to revision of the Existing Annual Caps I.

On April 26, 2024, the Company and CR Pharmaceutical entered into the Supplemental Cooperation Framework Agreement for the purpose of revising the Existing Annual Caps II, extending the term of the Existing Cooperation Framework Agreement to December 31, 2025 and agreeing on the proposed annual cap for the transactions under the Cooperation Framework Agreement for the year ending December 31, 2025.

As at the Latest Practicable Date, CRH beneficially holds 53.05% equity interests in CR Pharmaceutical and 36.58% equity interests in the Company, respectively, therefore (i) CRH is the controlling shareholder of both CR Pharmaceutical and the Company; and (ii) CRH and CR Pharmaceutical are connected persons of the Company. Accordingly, both the CRH PMM Supplemental Framework Agreement and the Supplemental Cooperation Framework Agreement, the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps under the Supplemental CCT Agreements exceed 5%, the transactions contemplated thereunder including the Annual Caps I and Annual Caps II (collectively, the “**Annual Caps**”) are subject to the requirements of reporting, annual review, announcement, circular and approval by the Independent Shareholders 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 Supplemental CCT Agreements. The Independent Board Committees has been established to advise the Independent Shareholders as to the terms of the Supplemental CCT Agreements as well as the transactions contemplated thereunder. We, Maxa Capital Limited, have been appointed by the Company to advise the Independent Board Committees 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 Supplemental CCT Agreements, and accordingly, are eligible to give independent advice and recommendations on the terms of the Supplemental CCT Agreements. In the past two years, we were appointed by the Company as the independent financial adviser in respect of a major and connected transaction and a continuing connected transaction, details of which were set out in the circulars of the Company dated April 27, 2023 and December 13, 2022, respectively. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our advice and recommendations, we have reviewed, among others, (i) the Supplemental CCT Agreements; (ii) the annual reports of the Company for the year ended December 31, 2022 (the “**2022 AR**”) and December 31, 2023 (the “**2023 AR**”); (iii) the basis of calculation of the Annual Caps; and (iv) the Company’s internal control procedures and records in relation to the transactions contemplated under the Supplemental CCT Agreements. We have assumed that all statements of belief and intention made by the Directors and the management of the Company (the “**Management**”) 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 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 we 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 and CR Pharmaceutical and each of their respective subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background of and reasons for the Supplemental 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, 2021, 2022 and 2023 (“FY2021”, “FY2022” and “FY2023”, respectively), as extracted from the 2022 AR and the 2023 AR:

	For the year ended December 31		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
		(restated)	
Total revenue	4,447,477	7,901,287	10,107,500
General healthcare services	3,088,545	7,053,146	9,406,153
Other services	1,358,932	848,141	701,347
Profit before tax	270,475	422,941	492,921
Profit for the year/period	425,864	328,281	327,890

As disclosed in the 2022 AR and 2023 AR, the total revenue of the Group was approximately RMB7,901.3 million for FY2022, representing an increase of approximately RMB3,453.8 million or 77.7% as compared to FY2021, whereas the profit for FY2022 was approximately RMB328.3 million, representing a decrease of approximately RMB97.6 million or 22.9% as compared to FY2021. Such increase in revenue was mainly attributable to the improved operating efficiency as well as the effects in relation to the consolidation of certain hospitals after acquisition, while a decline in profit for the year was primarily due to the operating losses and impairments incurred in relation to the equity interests of the Huaiyin Hospital, which was acquired by the Group in 2021, as well as exchange losses due to the relatively significant depreciation of the RMB during FY2022.

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As disclosed in the 2023 AR, the total revenue of the Group was approximately RMB10,107.5 million for FY2023, representing an increase of approximately RMB2,206.2 million or 27.9% as compared to FY2022, whereas the profit for FY2023 was approximately RMB327.9 million, representing a year-on-year decrease of 0.1% as compared to FY2022. Such increase in the revenue for the year was primarily attributable to the increase in the revenue generated from general healthcare business from approximately RMB7,053.1 million FY2022 to approximately RMB9,406.2 million FY2023, representing a year-on-year increase of 33.4% which was resulted from an increase in the number of visits and improved bed utilization. While a decline in profit for the year was primarily due to Huaiyin Hospital's one-time impairment reduced the net profit by RMB447.4 million for FY2023.

	As at December 31		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
		(restated)	
Non-current assets	6,543,020	11,051,287	10,225,113
Property, plant and equipment	1,754,607	4,987,692	4,863,851
Goodwill	2,276,258	3,740,200	3,599,182
Investments in associates	961,710	980,453	982,350
Other non-current assets	1,550,445	1,342,942	779,730
Current assets	3,924,582	6,766,287	3,429,079
Trade and bills receivables	766,603	1,490,670	1,535,652
Due from related parties	7,141	1,062,448	32,213
Cash and cash equivalents	2,324,051	3,100,011	1,236,097
Other current assets	826,787	1,113,158	625,117
Total assets	10,467,602	17,817,574	13,654,192
Non-current liabilities	177,423	2,039,364	1,433,753
Interest-bearing bank borrowings	–	1,017,263	884,846
Due to related parties	–	449,017	–
Other non-current liabilities	177,423	573,084	548,907
Current liabilities	3,443,734	5,124,310	5,207,373
Trade and bills payables	827,574	1,734,297	1,731,495
Other payables and accruals	757,989	1,698,992	1,670,544
Interest-bearing bank borrowings	1,665,899	1,310,636	1,277,874
Other current liabilities	192,272	380,385	527,460
Total liabilities	3,621,157	7,163,674	6,641,126
Net assets	6,846,445	10,653,900	7,013,066

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As disclosed in the 2022 AR and 2023 AR, the Group's total assets increased by approximately 70.2% from approximately RMB10,467.6 million as at December 31, 2021 to approximately RMB17,817.6 million as at December 31, 2022 which was primarily due to combined effect of (i) the large increase in property, plant and equipment from approximately RMB1,754.6 million as at December 31, 2021 to approximately RMB4,987.7 million as at December 31, 2022 due to the acquisition of China Resources Healthcare (Liaoning) Group Co., Ltd., Shenzhen China Resources Healthcare Industry Investment Co., Ltd. and CR Healthcare (Jiangxi) Co., Ltd.; (ii) the increase in trade and bills receivables as well as amount due from related parties from the China Resources Healthcare (Liaoning) Group Co., Ltd., Shenzhen China Resources Healthcare Industry Investment Co., Ltd. and CR Healthcare (Jiangxi) Co., Ltd. (collectively, the "**Combined Entities**") after the completion of the acquisition. The Group's total liabilities increased by approximately 97.8% from approximately RMB3,621.2 million as at December 31, 2021 as compared to total liabilities of approximately RMB7,163.7 million as at December 31, 2022. Such increase was mainly attributable to (i) the increase in interest-bearing bank borrowings from RMB1,665.9 million as at December 31, 2021 to approximately RMB2,327.9 million as at December 31, 2022, primarily due to addition of bank borrowings resulting from the acquisition of the Combined Entities; (ii) the increase in trade and bills payables from approximately RMB827.6 million as at December 31, 2021 to approximately RMB1,734.3 million as at December 31, 2022 due to the inclusion of the financial position of the Combined Entities following the acquisition.

As disclosed in the 2023 AR, the Group's total assets decreased by approximately 23.4% from approximately RMB17,817.6 million as of December 31, 2022 as compared to total assets of approximately RMB13,654.2 million with as at December 31, 2023. Such decrease was mainly attributable to (i) the decrease in due from related parties from approximately RMB1,062.4 million as at December 31, 2022 as compared to RMB32.2 million as at December 31, 2023, primarily due to the inclusion of the financial position of the Combined Entities following the acquisition in the restated figures as at December 31, 2022; and (ii) the impairment made in connection to Huaiyin Hospital in FY2023. As at December 31, 2023, the Group has higher current liabilities than current assets, mainly due to payments made by the Group during the financial year for the acquisitions completed in prior year.

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.

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1.3 Information of CR Pharmaceutical

CR Pharmaceutical is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 3320). CR Pharmaceutical Group's core business encompasses research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products.

2. Principal terms of the Supplemental CCT Agreements

We have reviewed the CRH PMM Framework Agreement and the CRH PMM Supplemental Framework Agreement and noted that except for the revision of the Annual Caps I, the terms and conditions are the same as those under the CRH PMM Framework Agreement. We have also reviewed the Existing Cooperation Framework Agreement and the Supplemental Cooperation Framework Agreement and noted that save for the revised or proposed Annual Caps II and extending the term to end on December 31, 2025, the other terms and conditions are the same as those under the Existing Cooperation Framework Agreement. Respective parties of the Supplemental CCT Agreements will enter into separate contracts which will set out the specific terms and conditions according to the principles provided in the Supplemental CCT Agreements.

2.1 Scope of services

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

- (i) pursuant to the Supplemental CRH PMM Framework Agreement, members of the CR Group may supply PMM Items to the Group from time to time. The Group 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 at a price in accordance with the agreed pricing policy in the Supplemental 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 Supplemental CRH PMM Framework Agreement; and
- (ii) pursuant to the Supplemental Cooperation Framework Agreement, the Group shall provide CR Pharmaceutical Group with Supply Chain Management Services of medical supplies which include establishing regional supply chain management platforms in specific regions and streamlining supply chain management procedures, based on the conditions of management, business operation and other relevant factors of CR Pharmaceutical Group. Through systems integration, the Supply Chain Management Services shall optimise the mechanism and enhance the process of supply chain management of medical supplies in order to assist CR Pharmaceutical Group in improving efficiency and reducing the costs.

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2.2 Pricing Policies

2.2.1 Pricing policies under the Supplemental CRH PMM Framework Agreement

With reference to the Board Letter, the pricing of the PMM Items provided under the Supplemental 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 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 Supplemental CRH PMM Framework Agreement, we obtained and reviewed:

- (i) two randomly selected transaction documents (including the invoices and incoming warehouse receipts with relevant approvals) for the purchasing of pharmaceuticals by the Group since the entering of the CRH PMM Framework Agreement and up to the Latest Practicable Date (the "**Relevant Period**") from each of members of CR Group and independent third parties, and cross checked such prices are same as those published by the relevant local Healthcare Security Administration in its sunshine procurement service platform;
- (ii) two randomly selected transaction documents (including the invoices and the incoming warehouse receipt with relevant approvals) for the purchasing of medical consumables by the Group in the Relevant Period from each of members of CR Group and independent third parties, and cross checked such prices are same as those published by the relevant local Healthcare Security Administration in its sunshine procurement service platform;
- (iii) two randomly selected sample transaction documents in the Relevant Period (including the quotations from each of members of the CR Group as well as independent third parties, the results of the tendering with the relevant approvals) for medical consumables which have not been included in the sunshine procurement service platform;

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- (iv) two randomly selected sample transaction documents in the Relevant Period (including the quotations from each of members of the CR Group as well as independent third parties, the results of the tendering with the relevant approvals) for purchasing medical devices and non-medical supply which have not been included in the sunshine procurement service platform;
- (v) all of the selected samples above were duly approved by the applicable department heads such as the responsible person of the procurement department, the responsible person of the operations department and members of the procurement committee of the Group, as the case maybe;
- (vi) 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 the same as the unit prices published by the relevant authorised sunshine procurement service platform, if applicable; (iii) 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 the independent third parties; (iv) purchase of PMM Items is in the ordinary course of business of the Group; (v) CR Group has passed the selection and approval procedures based on the centralized tendering procedure in the PRC before it can supply the PMM Items; and (vi) there were proper authorisation from relevant management(s) in accordance to the internal control procedure of the Group;
- (vii) the auditor's annual confirmation in 2023 AR, as required by the Listing Rules, that the continuing connected transactions are conducted in accordance with the terms of the CRH PMM Framework Agreement; and
- (viii) the confirmation from the Company's independent non-executive Directors in 2023 AR for reviewing the continuing connected transactions under the CRH PMM Framework Agreement.

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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 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 from the 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 2023 AR, cross-checking of the price by designated personnel such as the responsible person of the procurement department, the responsible person of the operations department and members of the procurement committee (which comprises the personnel-in-charge of the strategic operations department, the finance department, the discipline development and innovation department and the supply chain department) of the Group, regular reporting of transaction details to the Group's finance department, we consider that the abovementioned pricing policies under the Supplemental CRH PMM Framework Agreement are fair and reasonable to the Company and its Shareholders as a whole.

2.2.2 Pricing policies under the Supplemental Cooperation Framework Agreement

With reference to the Board Letter, the management service fee paid by CR Pharmaceutical Group to the Group for the provision Supply Chain Management Services under the Supplemental Cooperation Framework Agreement shall be determined in accordance with the following principles:

- (i) the relevant fee is calculated by multiplying the management service fee rate by the scale of Supply Chain Management Services provided to CR Pharmaceutical Group in specific regions within a specified period of time or in a specific scope;

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- (ii) the Company and CR Pharmaceutical shall determine the abovementioned scale of Supply Chain Management Services based on the following factors including (1) the specific cooperation regions or the scope of specific medical institutes (different cooperation regions and different scope of specific medical institutes would have different number of medical institutes, different traffic of customers and/or different requirements for the types/categories of medical supplies, thereby affecting the volume of supply of medical supplies by CR Pharmaceutical Group and the resulting demand for the Supply Chain Management Services by CR Pharmaceutical Group); (2) the expected volume of the corresponding annual supply of medical supplies (if there is expected to be a high volume of annual supply of medical supplies by CR Pharmaceutical Group, CR Pharmaceutical Group will naturally have a higher demand for the Supply Chain Management Services to cater for the correspondingly enhanced procurement, sale and management of medical supplies); and (3) the nature of the geographic area where specific management services are provided (different nature of the geographic area (e.g. high concentration of medical institutes, favourable pharmaceuticals-related government policies, well-developed logistics, transportation and warehousing network etc.) where specific management services are provided would entail different traffic of customers and/or different requirements for the types/categories of medical supplies, thereby affecting the volume of supply of medical supplies by CR Pharmaceutical Group and the resulting demand for the Supply Chain Management Services by CR Pharmaceutical Group); and
- (iii) the Company and CR Pharmaceutical shall determine specific fee rates via arm's length negotiation, on normal commercial terms and with reference to management service fee rates provided to third-party clients of the Group under similar service scope, service types and conditions, and the specifications of expected medical supplies and the number of brands involved, the expected medical material supply management complexity and the expected quality of the management services (i.e. the expected results of supply management services including timely arrival rate, quality pass rate and cost control effect, etc.).

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In order to assess the fairness and reasonableness of the pricing policies under the Supplemental Cooperation Framework Agreement, we obtained and reviewed:

- (i) three sets of randomly selected sample of transaction documents including the fee quotation with approvals for the Supply Chain Management Services provided by the Group to each of independent third parties and CR Pharmaceutical Group since the entering of the Existing Cooperation Framework Agreement and up to the Latest Practicable Date. We noted from the abovementioned documents that (i) the scale of Supply Chain Management Services provided are comparable services in the same region and medical supplies; (ii) the management service fee rates charged by the Group to CR Pharmaceutical Group were no less favourable than the fee rates charged to independent third parties; (iii) there were proper authorisation from relevant management(s) on each transaction document, including the approval by the relevant department heads such as the personnel-in-charge of the strategic operations department, the finance department, the discipline development and innovation department and the supply chain business unit; and (iv) there were 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;
- (ii) the auditor's annual confirmation in 2023 AR, as required by the Listing Rules, that the continuing connected transactions are conducted in accordance with the terms of the Existing Cooperation Framework Agreement; and
- (iii) the confirmation from the Company's independent non-executive Directors in 2023 AR for reviewing the continuing connected transactions under the Existing Cooperation Framework Agreement.

Having reviewed (i) the sample transaction documents on the Supply Chain Management Services provided by the Group that demonstrated the management service fee rates thereunder are on terms no less favourable than those charged to 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 2023 AR, regular reporting of the transaction details to the Group's management, we consider that the abovementioned pricing policies under the Supplemental Cooperation Framework Agreement are fair and reasonable to the Company and its Shareholders as a whole.

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3. Annual Caps

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

The following table sets forth (i) the Existing Annual Caps I and Existing Annual Caps II; (ii) the historical amounts and utilisation rate for the year ended December 31, 2023 and for the three months ended March 31, 2024; and (iii) the Annual Caps;

3.1 Historical Amount and Annual Caps

<i>RMB Million</i>		Caps for the years ended/ending December 31,		
		2023	2024	2025
Existing CRH PMM Framework Agreement				
Purchases of PMM Items from	Existing Annual Caps I	900.0	1,100.0	1,200.0
CRH and its subsidiaries	Actual amounts	871.0	318.0 ¹	–
	Utilisation rates	96.8%	28.9% ²	–
Existing Cooperation Framework Agreement				
Supply Chain Management	Existing Annual Caps II	74.0	84.0	–
Services with CR	Actual amounts	38.3	16.4 ¹	–
Pharmaceutical Group	Utilisation rates	51.8%	19.6% ²	–

¹ Historical amount for the three months ended March 31, 2024.

² The utilisation rates for the year ending December 31, 2024 are computed based on the actual amounts up to March 31, 2024.

<i>RMB Million</i>	Annual Caps for the years ending December 31,	
	2024	2025
Supplemental CRH PMM Framework Agreement		
Purchases of PMM Items from CRH and its subsidiaries	1,600.0	2,200.0
Supplemental Cooperation Framework Agreement		
Supply Chain Management Services with CR Pharmaceutical Group	150.0	200.0

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3.2 Annual Caps I under Supplemental CRH PMM Framework Agreement

3.2.1 Basis of determination of the Annual Caps I

The Annual Caps I under the CRH PMM Supplemental Framework Agreement were determined primarily based on arm's length negotiations between the Company and CRH with reference to, among others:

- (i) the total historical transaction amount for the financial year ended December 31, 2023 as set out above;
- (ii) the total historical transaction amount for the three months ended March 31, 2024;
- (iii) the anticipated increase in the procurement of the PMM Items from the CR Group as compared with the existing annual caps for the two financial years ending December 31, 2025 under the CRH PMM Framework Agreement, which was principally attributable to:
 - (a) the further expansion of the Group's hospital network, including but not limited to the significant increase in the number of medical institutions after the completion of the Combined Entities in June 2023 (the "**Acquisitions**") (for further details, please see the announcements of the Company dated February 22, 2023 and June 30, 2023 and the circular of the Company dated April 26, 2023), which resulted in an increased demand for PMM Items by the Group;
 - (b) the changes in the business arrangements of the Group, in particular, after the completion of the Acquisitions, Beijing Wanrong Yikang Medical Pharmaceutical Co., Ltd., a subsidiary of the Group, has taken over the business of procurement of medical devices from CR Healthcare (i.e. the seller in the Acquisitions), which resulted in an increased demand for medical devices by the Group;
 - (c) the increase in the scale of medical revenue of the Group which resulted in the corresponding increase in the scale of the Group's procurement of, among others, PMM Items;
 - (d) the continuous growth in the regional business influence and competitiveness of the CR Group which leads to a rising demand for and an increased purchase volume of, among others, PMM Items by the Group from the CR Group; and

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

3.2.2 Assessment to the Annual Caps I under Supplemental CRH PMM Framework Agreement

In assessing the fairness and reasonableness of the Annual Caps I 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 for the year ending December 31, 2024 and December 31, 2025 and we understand that the Company can select suppliers for PMM Items at their own discretion. Such expected purchase amounts were determined with reference to the total historical transaction amount, utilisation rate of the Existing Annual Caps I and estimated demand for PMM Items in the next two years. As discussed with the Management, the Existing Annual Caps I under the CRH PMM Framework Agreement for the year ending December 31, 2023 was RMB900 million and the utilisation rate was approximately 96.83%, which indicate the Existing Annual Caps I may no longer be sufficient to meet the Group's business needs. Furthermore, after the completion of the Acquisitions in June 2023, the number of medical institutions with the Group increased from 116 in FY2022 to 134 in FY2023, representing an increase of approximately 16%. During 2023, the Group's medical business recorded an increase in conventional outpatient visits exceeding 10 million, a year-on-year growth of 97%, and achieved operating revenue of RMB10.11 billion, a year-on-year increase of 79.8% (both are referred to the non-restated figures of 2022). It is expected the demand for PMM Items shall gradually increase from 2024 on the basis that the Group's hospital network will further expand in the next two 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 conventional outpatient visits of the Group's hospitals in the past two years;

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- (ii) when determining the Annual Caps I, the Group expected the annual total purchase amount of PMM Items in the next two years will increase to approximately RMB1.4 billion in FY2024 and RMB2.0 billion in FY2025, respectively. We are of the view such basis is in line with the growing trend of the Group's turnover which recorded an increment of 77.7% and 27.9% as stated in 2022 AR and 2023 AR, respectively. According to the 2023 AR, the Group will continue to build leading hospitals, accelerate the construction of provincial and municipal key specialties, jointly carry out scientific research projects, and expand the GCP (Good Clinical Practice) programme, so as to promote the overall synergistic development of medical education and research, play a leading role in refined operation and patient services, and continuously expand the Group's competitive advantages in the region, as such we are of the view that the increasing trend of demand for PMM Items is in line with the possible expansion of the Group's hospital network under the Supplemental CRH PMM Framework Agreement.

- (iii) having considered the utilisation rate of Existing Annual Caps I in FY2023 has reached 96%, we are of the view applying a buffer by the Management of approximately 10% when determining the Annual Caps I for unforeseeable circumstances such as price inflation can avoid unduly burdensome administrative procedure if such caps were exceeded in the future

We are of the view that the Annual Caps I are determined with reference to the growth in the demand of PMM Items, number of managed hospitals and historical utilisation rate. Having considered the abovementioned factors, we concur with the Directors that the Annual Caps I under the Supplemental CRH PMM Framework Agreement are fair and reasonable.

3.3 Annual Caps II under the Supplemental Cooperation Framework Agreement

3.3.1 Basis of determination of the Annual Caps II

The Annual Caps II are determined based on arm's length negotiations between CR Pharmaceutical and the Group with reference to, among others, the following factors:

- (i) the historical total amount of management service fees paid by CR Pharmaceutical Group to the Group as set out above;

- (ii) the historical total amount of management service fees paid by CR Pharmaceutical Group to the Group for the three months ended March 31, 2024;

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- (iii) the further expansion of the Group's hospital network which resulted in the broadening of the scope of the Supply Chain Management Services (in terms of such services in respect of an increased variety and volume of pharmaceutical products and in terms of more extensive geographical locations) that could be provided by the Group under the Cooperation Framework Agreement;
- (iv) the continuous growth in the regional business performance of CR Pharmaceutical Group (in terms of more extensive geographical coverage of its business including the expansion into Liaoning province and Jiangxi province and further diversified types of pharmaceuticals that it supplies such as western medicines and medicine tablets) which leads to (i) an expected increase in the volume of the annual supply of medical supplies by CR Pharmaceutical Group and (ii) a rising demand by CR Pharmaceutical Group for the Supply Chain Management Services provided by the Group in order to improve the operational efficiency of the supply chain management of the medical supplies; and
- (v) the possible further increase in the level of cooperation between CR Pharmaceutical Group and the Group in 2024 and 2025.

3.3.2 Assessment to the Annual Caps II under the Supplemental Cooperation Framework Agreement

In assessing the fairness and reasonableness of the Annual Caps II for the two years ending December 31, 2025 in the Supplemental Cooperation Framework Agreement placed with CR Pharmaceutical Group, we have obtained and reviewed:

- (i) the utilisation rates of the Existing Annual Caps II in respect of the supply chain management services fee for the year ended December 31, 2023 and for the three months ended March 31, 2024 were 51.81% and 19.58% respectively for the corresponding periods. As discussed with the Management, historical utilisation rate of the Existing Annual Caps II for the year ended December 31, 2023 was less than expected given the progress of collaboration in certain region between CR Pharmaceutical Group and the Group has been delayed thus when determining the Annual Caps II more weight is being put on the schedule of expected management service fee payable for the two years ending December 31, 2025 as discussed below;

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- (ii) the schedule of expected management service fee payables by CR Pharmaceutical Group to the Group for the two years ending December 31, 2024 and December 31, 2025 and we understand and noted that CR Pharmaceutical Group can select service provider for the Supply Chain Management Services at their own discretion and the management service fee rates quoted by the Group were no less favourable than the fee rates quoted by the independent supply chain management services institutions. Such fee payables were determined with reference to the total historical transaction amount and estimated demand and fee rates for Supply Chain Management Services in the next two years. In addition, the further expansion of the Group's hospital network which resulted in the broadening of the scope of the Supply Chain Management Services that could be provided by the Group under the Supplemental Cooperation Framework Agreement. After the completion of the Acquisitions in June 2023, the number of medical institutions within the Group increased from 116 in FY2022 to 134 in FY2023, representing an increase of approximately 16%. During 2023, the Group's medical business recorded an increase in conventional outpatient visits exceeding 10 million, a year-on-year growth of 97%, and achieved operating revenue of RMB10.11 billion, a year-on-year increase of 79.8% (both are referred to the non-restated figures of 2022). It is expected the demand for Supply Chain Management Services shall gradually increase from 2024 on the basis that the Group's hospital network will further expand in the next two years, we are of the view that such assumption is generally in-line with the increase in the number of medical institutions and the increasing trend of the conventional outpatient visits of the Group's hospitals in the past two years;
- (iii) according to the annual report of CR Pharmaceutical for FY2023, CR Pharmaceutical Group actively promotes the implementation of high-quality mergers and acquisitions by expanding its business coverage, broadening its business footprint, and increasing market share. CR Pharmaceutical Group has, among others, acquired 51% interest in Sichuan Kelun Medicine & Trade Group Co., Ltd, a company ranked in the top 20 in China's pharmaceutical distribution industry in September 2023 and has announced its intention in February 2024 to increase its shareholding in Respirent Pharmaceuticals Co., Ltd, being its associated company focusing on the R&D and manufacturing of respiratory medicine products. We are of the view that the expansion of the businesses and increasing variety of pharmaceutical products under CR Pharmaceutical Group is in line with the assumption of rising demand by CR Pharmaceutical Group for the Supply Chain Management Services provided by the Group;

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(iv) we noted that the Annual Caps II for Supply Chain Management Services are determined with reference to the continuous growth in the regional business performance of CR Pharmaceutical Group which leads to (i) an expected increase in the volume of the annual supply of medical supplies by CR Pharmaceutical Group; and (ii) a rising demand by CR Pharmaceutical Group for the Supply Chain Management Services provided by the Group in order to improve the operational efficiency of the supply chain management of the medical supplies. According to the annual report of CR Pharmaceutical in 2023, it recorded revenue of RMB244,703.9 million, representing a year-on-year increase of 12.2% compared to 2022 and operate a national distribution network comprising over 230 logistics centers (2022: over 200 logistics centers) strategically across 28 provinces, municipalities and autonomous regions in China, with around 240,000 clients (2022: 150,000 clients), including 10,667 second- and third-class hospitals (2022: 9,543 second- and third-class hospitals) and approximately 100,000 primary medical institution clients (2022: more than 70,000 primary medical institution clients). In addition, CR Pharmaceutical Group also operates one of the largest retail pharmacy networks in China. We are of the view that, increasing trend in Annual Caps II is in line with the growth of CR Pharmaceutical Group's operating activities including its turnover and number of national distribution network and clients as abovementioned.

Having considered (i) there is a continued expansion in the Group's business scale; and (ii) there is a continuous growth in the regional business performance of CR Pharmaceutical Group, we concur with the Directors that the Annual Caps II for the supply chain management services fee amount with CR Pharmaceutical Group are fair and reasonable.

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

4.1 Supplemental 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 operate, and its capability to offer better pricing and credit terms to the Group 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 Group with a stable supply of PMM Items that are essential for the daily operation of the Group. Besides, the long-term procurement arrangement between members of the CR Group and the Group has been in place for a number of years. CRH has over the years acquired extensive knowledge of the Group's industry and business

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 Supplemental CRH PMM Framework Agreement and the sample transactions selected by us, details of which are listed in the section headed 2.2.1 above, and we are of the view that 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 Supplemental CRH PMM Framework Agreement are in line with the interests of the Company and the Shareholders as a whole.

4.2 Supplemental Cooperation Framework Agreement

As stated in the Board Letter, CR Pharmaceutical Group has continued to grow in its regional business influence which leads to its increasing supply of medical supplies. At the same time, the Group has continued to expand its hospital network which resulted in the increasing scale and scope of its supply chain management business. By relying on its scale and strength, we concur with the view of the Board that to increase the relevant annual cap for the year ending December 31, 2024 are essential to meet the actual needs in respect of the Supply Chain Management Services of CR Pharmaceutical Group and the Group. Besides, the extended term of the Cooperation Framework Agreement together with the corresponding annual cap for the year ending December 31, 2025 will enable CR Pharmaceutical Group and the Group to further enhance their cooperation, improving the efficiency of supply chain management of medical supplies in the cooperation regions and reducing relevant costs. As a result, CR Pharmaceutical Group will be able to ensure steady supply of Supply Chain Management Services from the Group while the Group will be able to receive a greater sum of management fees for more services provided and to continue growing its supply chain management service business. We have also reviewed the internal control procedures for the transactions under the Supplemental Cooperation Framework Agreement and the sample transaction documents selected by us, details of which are listed in the section headed 2.2.2 above, and we are of the view that there are effective internal policies in place.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the abovementioned, we concur with the Directors' view that the transactions contemplated under the Supplemental Cooperation Framework 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 Supplemental CCT Agreements are conducted in the ordinary and usual course of business of the Company and on normal commercial terms; and (ii) the Annual Caps under the Supplemental CCT Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committees to recommend and we also recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Supplemental 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:

Long Positions in Shares of the Company

Name of Director	Capacity/ Nature of interest	Long position/ short position	Number of ordinary shares	Approximate percentage of shareholding (%)
SONG Qing	Beneficial owner	Long position ^(Note)	400,000	0.03
GE Lu	Beneficial owner	Long position	66,000	0.01

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 have been vested.

Long Positions in Shares of China Resources Beer (Holdings) Company Limited, an Associated Corporation of the Company

Name of Director	Capacity/ Nature of interest	Long position/ short position	Number of ordinary shares	Approximate percentage of shareholding (%)
GE Lu	Beneficial owner	Long position	2,000	0.00

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) ^(Note)	36.58

L: Long position

Note: (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 China Resources Inc. China Resources Inc. is wholly owned by China Resources Company Limited; and (b) 10,638,000 of these Shares are directly held by Commotra Company Limited which is wholly owned by CRH.

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

Mr. SONG Qing is a director and the chairman of the board of CR Healthcare (the controlling shareholder of the Company); Mr. YU Hai is a director, vice chairman and the general manager of CR Healthcare; Mr. SHAN Baojie is the vice general manager of CR Healthcare; Ms. YANG Min is the chief financial officer of CR Healthcare; and Ms. GE Lu is an external director of CR Healthcare. CR Healthcare specializes in health industry investment and operation management, is one of the key health service industry platforms of China Resources Group. CR Healthcare is committed to the long-term development of China's medical and healthcare services, actively participates in China's medical system reform, and proactively explores and involves in the investment, operation and management of hospitals and healthcare industries in the PRC. In addition to being the single largest shareholder of the Company, CR Healthcare also operates and manages a number of medical institutions in certain provinces of China.

Save as disclosed above, 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 2023 (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 2023 (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 2023 (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. CHUNG Ming Fai, the company secretary of the Company, is a fellow 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 Latest Practicable Date:

- (a) the CRH PMM Supplemental Framework Agreement;
- (b) the Supplemental Cooperation Framework Agreement;
- (c) the letter from the Board, the text of which is set out on pages 5 to 25 of this circular;
- (d) the letter from the Independent Board Committee I, the text of which is set out on pages 26 to 27 of this circular;
- (e) the letter from the Independent Board Committee II, the text of which is set out on pages 28 to 29 of this circular;
- (f) the letter from Maxa Capital, the text of which is set out on pages 30 to 50 of this circular; and
- (g) the written consent from Maxa Capital referred to in paragraph 7 of this Appendix.

NOTICE OF EGM



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 Wednesday, June 5, 2024 at 11:00 a.m. (or as soon thereafter as the annual general meeting of the Company convened by a notice of annual general meeting dated April 26, 2024 for the same day and place shall have concluded or adjourned) 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 supplemental framework agreement dated April 26, 2024 (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 Supplemental 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 Supplemental Framework Agreement and the transactions contemplated thereunder; and the revised annual caps for the two years ending December 31, 2025 for the transactions contemplated under the CRH PMM Framework Agreement as agreed in the CRH PMM Supplemental Framework Agreement as set out in the circular of the Company dated May 22, 2024 be and are hereby approved.”

NOTICE OF EGM

2. “**THAT:**

the execution of the supplemental cooperation framework agreement dated April 26, 2024 (copy of which has 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 Pharmaceutical Group Limited (the “**Supplemental Cooperation 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 Supplemental Cooperation Framework Agreement and the transactions contemplated thereunder; and the revised annual cap for the year ending December 31, 2024 and the proposed annual cap for the year ending December 31, 2025 under the Supplemental Cooperation Framework Agreement as set out in the circular of the Company dated May 22, 2024 be and are hereby approved.”

Yours faithfully,

For and on behalf of the Board

China Resources Medical Holdings Company Limited

SONG Qing

Chairman

Beijing, May 22, 2024

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

NOTICE OF EGM

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.
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).
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 Friday, May 31, 2024 to Wednesday, June 5, 2024 (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 Thursday, May 30, 2024.
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. 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.