
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, 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, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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 PHARMACEUTICALS, MEDICAL DEVICES AND MEDICAL CONSUMABLES FRAMEWORK AGREEMENT**
- (2) CR BANK STRATEGIC COOPERATION AGREEMENT AND**
- (3) CR TRUST STRATEGIC COOPERATION AGREEMENT**

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



A letter from the Board is set out on pages 5 to 20 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 21 to 22 of this circular. A letter from Gram Capital Limited, the independent financial adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 41 of this circular.

A notice convening the EGM to be held at 14/F, Kunlun Center, No.9 Fuyi Street, Fengtai District, Beijing, the People's Republic of China, on Tuesday, December 24, 2019 at 9:30 a.m. is set out on pages 47 to 49 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof. 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 if you so wish.

December 6, 2019

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM INDEPENDENT BOARD COMMITTEE	21
LETTER FROM GRAM CAPITAL	23
APPENDIX — GENERAL INFORMATION	42
NOTICE OF EGM	47

DEFINITIONS

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

“2016 CRH PMM Framework Agreement”	the pharmaceuticals, medical devices and medical consumables framework agreement entered into between the Company and CRH on October 5, 2016;
“2017 CR Bank Strategic Cooperation Agreement”	the strategic cooperation agreement entered into by CR Bank and the Company on July 21, 2017;
“2017 CR Trust Strategic Cooperation Agreement”	the strategic cooperation agreement entered into by CR Trust and the Company on July 21, 2017;
“2017 CRH PMM Framework Agreement”	the pharmaceuticals, medical devices and medical consumables framework agreement entered into between the Company and CRH on July 21, 2017 which replaced the 2016 CRH PMM Framework Agreement;
“Articles of Association”	The articles of association of the Company, as amended from time to time;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	China Resources Medical Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning given to it under the Listing Rules;
“CR Bank”	China Resources Bank of Zhuhai Co., Ltd.* (珠海華潤銀行股份有限公司), a municipal commercial bank headquartered in Zhuhai, in which CRC holds approximately a 75.33% equity interest as at the Latest Practicable Date;
“CR Bank Strategic Cooperation Agreement”	the strategic cooperation agreement entered into between the Company and CR Bank on November 7, 2019;

DEFINITIONS

“CR Healthcare”	China Resources Healthcare Group Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of CRH and the single largest shareholder of the Company at the Latest Practicable Date;
“CR Trust”	China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), in which CRC holds a 51% equity interest as at the Latest Practicable Date;
“CR Trust Strategic Cooperation Agreement”	the strategic cooperation agreement entered into between the Company and CR Trust on November 7, 2019;
“CRC”	China Resources Co., Ltd., a joint stock limited liability company incorporated in the PRC;
“CRC Group”	CRC, CRH and their respective subsidiaries;
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the intermediate holding company of the CRC Group in Hong Kong, holding all the CRC Group’s material interests apart from its banking and trust activities;
“CRH PMM Framework Agreement”	the pharmaceuticals, medical devices and medical consumables framework agreement entered into between the Company and CRH on November 7, 2019;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the transactions contemplated under the New CCT Agreements and the corresponding annual caps;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising Mr. Wu Ting Yuk, Anthony, Mr. Kwong Kwok Kong, Ms. Chiu Kam Hing Kathy and Mr. Lee Kar Chung Felix, all being independent non-executive Directors, to consider the terms of the transactions contemplated under the New CCT Agreements and the corresponding annual caps, and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolutions regarding the transactions contemplated under the New CCT Agreements and the corresponding annual caps;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the New CCT Agreements and the corresponding annual caps;
“Independent Shareholders”	Shareholders who will not be required under the Listing Rules to abstain from voting at the EGM;
“Latest Practicable Date”	December 3, 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained therein;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“New CCT Agreements”	collectively, the CRH PMM Framework Agreement, CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement;
“PMM Items”	pharmaceuticals, medical device and medical consumables;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Share(s)”	share(s) with a par value of HK\$0.00025 each in the share capital of the Company;

DEFINITIONS

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



China Resources Medical Holdings Company Limited
華潤醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

Independent Non-Executive Directors:

Mr. WU Ting Yuk, Anthony
(Chairman of the Board)
Mr. KWONG Kwok Kong
Ms. CHIU Kam Hing Kathy
Mr. LEE Kar Chung Felix

Registered office:

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
PO Box 10240
Grand Cayman KY1-1002
Cayman Islands

Non-executive Director:

Mr. WANG Yan

Principal place of business in Hong Kong:

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

Executive Directors:

Mr. SONG Qing
(Vice-Chairman of the Board)
Mr. CHENG Libing
(Chief Executive Officer)
Ms. REN Yuan
(Chief Financial Officer)
Ms. FU Yanjun
(Deputy President)

December 6, 2019

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) CRH PHARMACEUTICALS, MEDICAL DEVICES AND
MEDICAL CONSUMABLES FRAMEWORK AGREEMENT
(2) CR BANK STRATEGIC COOPERATION AGREEMENT
AND
(3) CR TRUST STRATEGIC COOPERATION AGREEMENT

BACKGROUND

Reference is made to (1) the announcement dated October 5, 2016, the circular dated October 7, 2016 and the announcement dated October 31, 2016 of the Company in relation to, among other things, the entering into of the 2016 CRH PMM Framework Agreement;

LETTER FROM THE BOARD

and (2) the announcement of the Company dated July 21, 2017 in relation to the entering of the 2017 CRH PMM Framework Agreement to replace the original agreement, the 2017 CR Bank Strategic Cooperation Agreement and the 2017 CR Trust Strategic Cooperation Agreement. As the aforesaid agreements in (2) shall expire on December 31, 2019, the Company has entered into the new arrangements whereby the annual caps are also renewed under the New CCT Agreements.

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

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

(1) CRH PMM FRAMEWORK AGREEMENT

Date: November 7, 2019
Parties: CRH and the Company
Term: From January 1, 2020 to December 31, 2022

Pursuant to the CRH PMM Framework Agreement, CRH may, through its subsidiaries, supply PMM Items to the Group and the Sponsored Hospitals from time to time. The Group and the Sponsored Hospitals may place purchase orders for the PMM Items with CRH or its subsidiaries from time to time and CRH or its subsidiaries may sell the products to the Group and the Sponsored Hospitals at a price in accordance with the agreed pricing policy. 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.

Condition(s) Precedent

The CRH PMM Framework Agreement is subject to Independent Shareholders' approval to be sought in the EGM in relation the agreement and the corresponding annual caps.

Pricing policy for PMM Item purchase

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. The Group and the Sponsored Hospitals will generally make reference to the winning bid price of the local governmental procurement platform as a benchmark. Also, while these local regulatory authorities will adjust the prescribed price or guided price regularly, the frequencies of adjustment will not be the same in different provinces (e.g. prescribed price or guided price will normally be adjusted on an annual basis in Guangzhou and Wuhan). The Group's supply chain management department together with the Sponsored Hospitals will follow up the price update in a timely manner. If there is no such prescribed price or guided price for the particular product, the price shall be determined based on arm's length negotiation between

LETTER FROM THE BOARD

the parties and with reference to the then prevailing market price as evidenced by the invoices provided by CRH or its subsidiaries for their supply of the relevant product to no less than three hospitals of similar grade.

In accordance with the relevant guiding opinions and implementation notice issued by the PRC regulators in 2015, the procurement of pharmaceutical products by public hospitals and medical institutions in the PRC is subject to a centralised tendering process. The requirements set out in the guiding opinions and implementation notice remains effective since its implementation in 2015.

The centralised tendering process generally operates as follows:

- (i) Public hospitals and medical institutions in different provinces and cities in the PRC will submit the types of medical and pharmaceutical products and consumables (except for decoction pieces) required in their ordinary course of business to the centralized procurement platform in the relevant province or region, where the suppliers will submit their bidding prices in respect of the relevant products and consumables.
- (ii) The relevant governmental authority (including the local Health and Family Planning Commissions; the Food and Drug Administration; the Development and Reform Commissions; the Financial Authorities; the Human Resources and Social Security Agencies; and Business Administration Bureaus) will then determine the selling price of a particular medical and pharmaceutical product or consumable in the relevant province or region by taking into consideration mainly the bidding prices, quality of the product or consumable and the comprehensive capabilities of different suppliers, and from which supplier(s) the hospitals and medical institutions in that province or region may purchase the product or consumable at such selling price.
- (iii) Due to the nature and operation of the above tendering process, the selling price for the same type of product or consumable may vary across different provinces and regions.

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

LETTER FROM THE BOARD

If the supply of PMM Items from CRH or its subsidiaries to the Group and the Sponsored Hospitals are subject to open tendering process, to ensure fairness of the process, certain designated personnel (comprising the management of the Group's supply chain department and the procurement department of the Sponsored Hospitals) 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 and the Sponsored Hospitals, the Company is always able to stay aware of the fair market terms for different supplies.

Historical annual caps and transaction amounts

The table below sets out the historical annual caps for the three financial years ending December 31, 2019 and also the historical transaction amounts for the two financial years ended December 31, 2018 and the nine months ended September 30, 2019 under the 2017 CRH PMM Framework Agreement:

	Financial year ended December 31, 2017 <i>(RMB million)</i>	Financial year ended December 31, 2018 <i>(RMB million)</i>	Financial year ended December 31, 2019 <i>(RMB million)</i>
Historical annual caps	970.0	1,500.0	1,710.0

	Financial year ended December 31, 2017 <i>(RMB million)</i>	Financial year ended December 31, 2018 <i>(RMB million)</i>	Nine months ended September 30, 2019 <i>(RMB million)</i>
Historical transaction amounts	566.1	489.6	309.2

The table above sets out the annual caps for the three financial years ending December 31, 2019, which were approved at the extraordinary general meeting of the Company on September 4, 2017.

As at the Latest Practicable Date, the corresponding annual cap for the year ending December 31, 2019 has not been exceeded.

LETTER FROM THE BOARD

Annual caps of CRH PMM Framework Agreement and basis of determination

The table below sets out the annual caps of the CRH PMM Framework Agreement for the three financial years ending December 31, 2022.

	Financial year ending December 31, 2020 <i>(RMB million)</i>	Financial year ending December 31, 2021 <i>(RMB million)</i>	Financial year ending December 31, 2022 <i>(RMB million)</i>
Annual Caps	1,000.0	1,140.0	1,400.0

The abovementioned annual caps are determined with reference to:

- (i) the historical transaction amounts as set out above;
- (ii) The expected increase in the procurement of the PMM Items from CRH (or its subsidiaries) when compared with the amounts of year 2017 and 2018 which was principally attributable to:
 - a. increase of inpatient and outpatient visit of hospitals managed by the Group as follows:
 - The compound annual growth rate of approximately 1.2% of inpatient visit of hospitals managed by the Group for the three financial years ended December 31, 2018, and further growth is expected;
 - The compound annual growth rate of approximately 2.9% of outpatient visit of hospitals managed by the Group for the three financial years ended December 31, 2018, and further growth is expected;
 - b. It is expected that the Group's hospital network (including for-profit hospitals and Sponsored Hospitals) will further expand which shall drive demand for PPM items within the network;
 - c. the expected increase in purchase of medical devices and medical consumables from CRH due to further integration and centralized management of the Group's supply chain;
 - d. a buffer of approximately 5% to 10% per year for the three financial years ending December 31, 2022 to accommodate the possible expansion of the Group's hospital network and the unforeseeable circumstances (including future price inflation increase).

LETTER FROM THE BOARD

(2) CR BANK STRATEGIC COOPERATION AGREEMENT

Date: November 7, 2019
Parties: CR Bank and the Company
Terms: From January 1, 2020 to December 31, 2022

Scope of services

The Group and the Sponsored Hospitals may place deposits with CR Bank and use other financial services and products of CR Bank, including (but not limited to) the provision of letters of credit, guarantee, loans with collaterals, bill of exchange and discount services, assignment of receivables, RMB and foreign exchange settlement, entrusted loans and collaterals, financial and cash management services, financial advisory services and other financial services and products as agreed by the parties.

Condition(s) Precedent

The CR Bank Strategic Cooperation Agreement is subject to Independent Shareholders' approval to be sought in the EGM in relation the agreement and the corresponding annual caps.

Pricing basis

The deposits placed with CR Bank will bear the same interest and will be on the same terms and conditions as would apply to similar deposits made by other independent customers of CR Bank, which rates are determined with reference to the rates published by the People's Bank of China ("PBOC") or such other preferred rates in the market.

The fees and charges for other financial services and products provided by CR Bank will be determined by arm's length negotiations between the parties and based on normal commercial terms, and shall not be higher than the rates published by CR Bank that are applicable to its independent customers.

LETTER FROM THE BOARD

The table below sets out the historical annual caps for the three financial years ending December 31, 2019 and also the historical transaction amounts for the two years ended December 31, 2018 and the nine months ended September 30, 2019 under the 2017 CR Bank Strategic Cooperation Agreement:

Historical annual caps	Financial year ended December 31, 2017 (RMB million)	Financial year ended December 31, 2018 (RMB million)	Financial year ending December 31, 2019 (RMB million)
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) <i>(Note)</i>	300.0	300.0	300.0
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank <i>(Note)</i>	200.0	200.0	200.0
Maximum service fees and commissions for other financial products and services to be provided by CR Bank	3.0	3.0	3.0
Historical transaction amounts	Financial year ended December 31, 2017 (RMB million)	Financial year ended December 31, 2018 (RMB million)	Nine months ended September 30, 2019 (RMB million)
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) <i>(Note)</i>	100.5	204.3	234.5
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank <i>(Note)</i>	183.1	200.0	130.0
Maximum service fees and commissions for other financial products and services to be provided by CR Bank	—	—	—

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

LETTER FROM THE BOARD

Other information

The Group and the Sponsored Hospitals have from time to time procured loan-related services from CR Bank, where the Group and the Sponsored Hospitals have not been required to provide any security for such loans. As no security over the assets of the Group and the Sponsored Hospitals has been or will be provided for the loans, such loan-related services provided by CR Bank have been or will be fully exempted from compliance with the relevant requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. Accordingly, the interests and fees that the Group and the Sponsored Hospitals paid and are expected to pay for such loan-related services provided by CR Bank are not included in the above historical amounts and the annual caps set out in the later part of this letter.

(3) CR TRUST STRATEGIC COOPERATION AGREEMENT

Date: November 7, 2019
Parties: CR Trust and the Company
Terms: From January 1, 2020 to December 31, 2022

Scope of services

The Group and the Sponsored Hospitals may use the services and products provided by CR Trust, including (but not limited to) cash management, asset management, custodian trust loan services, assignment of receivables, advisory services in relation to redemptory monetary capital for sale, and other financial or trust services and products as agreed by the parties.

Condition(s) Precedent

The CR Trust Strategic Cooperation Agreement is subject to Independent Shareholders' approval to be sought in the EGM in relation the agreement and the corresponding annual caps.

Pricing basis

The services and products will be provided by CR Trust on normal commercial terms which apply to its other independent customers.

Historical annual caps and transaction amounts

The historical annual caps of each of the three financial years ending December 31, 2019 are:

- (1) maximum daily principal and interest — RMB100 million; and
- (2) the corresponding service fees and commissions — RMB3 million.

LETTER FROM THE BOARD

For the two financial years ended December 31, 2018 and the nine months ended September 30, 2019, the Group and the Sponsored Hospitals had not used other services or products of CR Trust.

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

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

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

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

The proposed maximum daily amounts for the deposit balance under the CR Bank Strategic Cooperation Agreement, are determined taking into account, among other things, (a) the amounts of historical transactions between the Group and the Sponsored Hospitals and CR Bank; (b) the Company's plan to start placing more deposit with CR Bank as a part of the Company's plan to improve its cash management and diversify its investment risk which may arise from potential over-reliance on certain banks; (c) the liquidity and need for capital management of the Group and the Sponsored Hospitals; and (d) the anticipated

LETTER FROM THE BOARD

growth in the business of the Group and the Sponsored Hospitals leading to increase in net cash inflow of the Group and the Sponsored Hospitals which may be deposited with CR Bank.

The proposed (1) maximum daily amounts for the principal amount and interest in relation to financial products provided by CR Bank and CR Trust and (2) annual caps for service fees and commissions for other financial products and services under the CR Bank Strategic Cooperation Agreement and the CR Trust Strategic Cooperation Agreement, are determined taking into account, among other things:

- (a) the anticipated growth in the business of the Group and the Sponsored Hospitals leading to increase in net cash inflow of the Group and the Sponsored Hospitals which may be used for purchase of financial services or products from CR Bank and CR Trust. The Group recorded a consolidated revenue of RMB2.06 billion for 2018, an increase of 9.7% over 2017. Net profit attributable to Shareholders after deducting non-recurring items amounted to RMB431 million, an increase of 13.7% over 2017. The number of outpatient and inpatient visits of the Group's hospitals increased by 5.6% and 2.0% respectively in 2018 compared with the figures in 2017. The Company anticipates that the Group's business will grow steadily in the next five years through implementing its plan to increase the number of medical institutions to be operated or managed by the Group;
- (b) the liquidity and need for capital management of the Group and the Sponsored Hospitals; the historical cooperation allows CR Bank and CR Trust to offer more flexibility and tailor-made products and services to the Group and the Sponsored Hospitals which may better suit the liquidity and financial need of ours;
- (c) the business needs of the Group and the Sponsored Hospitals; being associated companies of the Group, CR Bank and CR Trust are able to offer financial products and services in more competitive terms and with more customized services compared with those offered by other third parties banks or financial institutions. This enables the Group to utilize and manage its surplus funds in a more efficient manner having regard the business needs of the Group and the Sponsored Hospitals;
- (d) the anticipated need for financial or trust services in relation to potential fund raising activities or other transactions to be engaged by the Group and the Sponsored Hospitals; it is expected that the funds generated from these activities (before being utilized for business purpose) will be centrally managed in an efficient manner through means such as investing in financial products or placing with trust services which shall generate stable revenue stream.

LETTER FROM THE BOARD

Financial products and services from CR Bank and CR Trust

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

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

As part of the Group's internal approval and monitoring procedures relating to the transactions with CR Bank, the Group will obtain quote from other independent financial institutions for similar deposit services for similar duration before it enters into any new deposit arrangement with CR Bank and such quotes, together with the offer from CR Bank, will be reviewed and passed by the Group's internal approval procedures. In addition, the Group will also obtain quote from, or compare the amount of principal and interests of financial products or service fees offered by, other independent financial service providers before it decides to purchase the financial products or use the financial services offered by CR Bank and/or CR Trust.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE NEW CCT AGREEMENTS

About CRH PMM Framework Agreement

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

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

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

The entering into of the CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement shall enable the Group to enhance its overall liquidity, optimize its utilization of cash and capital, and benefit from greater flexibility in the Group's cash and capital management for generation of better return. As to how the co-operation between the Group and CR Bank and CR Trust is beneficial to the Group as afore-mentioned, please refer to the disclosure on page 14 of this circular for further details. Under the strategic cooperation agreements, the Group is not required to exclusively use the deposit services and other financial services and products provided by CR Bank and/or CR Trust. The Board is of the view that the Group will retain the flexibility and discretion in selecting CR Bank, CR Trust, and/or other independent financial institutions or commercial banks taking into consideration its business needs and the fees and quality of services and products offered.

LETTER FROM THE BOARD

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 hospital services, hospital management services and the GPO business in the PRC.

CRC and CRH

CRH is a diversified conglomerate in the Greater China, which is one of the key and large scale state-owned enterprises under the administration of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC. CRC is the holding company of CRH. CRC is principally engaged in investment holding and via its subsidiaries and associates including CRH, CRC carries out businesses in various industries including consumer products, healthcare and pharmaceutical, real estate, energy and financial services. CRC is a state-owned entity under direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CRH is indirectly and wholly-owned by CRC.

CR Bank

CR Bank is a licensed bank regulated by the China Banking and Insurance Regulatory Commission and is headquartered in Zhuhai, Guangdong Province, the PRC. It has branches and sub-branches in different locations in the PRC where it operates and provides financial and commercial banking services. CR Bank is held about 75.33% by CRC, 7.59% by Finance Bureau of Zhuhai and the remaining interest is held by certain other shareholders which are independent from CRC.

CR Trust

CR Trust is an integrated financial service provider headquartered in Shenzhen, Guangdong Province, the PRC, and is authorized by the relevant regulatory body to operate and conduct business on a nationwide basis in the PRC. CR Trust is held 51% by CRC and 49% by Shenzhen Investment Holdings Co., Ltd. The latter is independent from CRC.

LISTING RULES IMPLICATIONS FOR THE NEW CCT AGREEMENTS

At the Latest Practicable Date, CRC is the holding company of CRH, a controlling shareholder of the Company, and owns approximately 75.33% and 51% interests in CR Bank and CR Trust, respectively. Therefore, the New CCT Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) relating to each of CRH PMM Framework Agreement, CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement (among which, the

LETTER FROM THE BOARD

amounts in relation to the financial products as provided by CR Bank and CR Trust are aggregated as they are similar in nature) exceeds 5%, the transactions contemplated under the above-mentioned three agreements and the corresponding annual caps are subject to the requirements of reporting, annual review, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules. Since Mr. Song Qing, Mr. Cheng Libing, Ms. Ren Yuan and Mr. Wang Yan serve as senior management of CRH and/or CR Healthcare, they have abstained from voting on the relevant board resolutions in relation to the New CCT Agreements.

INTERNAL CONTROL MEASURES

The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions.

As part of the internal approval and monitoring procedures relating to the Group's transactions with CR Bank, the Group shall obtain quotations from CR Bank and other independent comparable financial institutions on similar deposit services, prior to entering into any new deposit arrangements with CR Bank. The quotations obtained shall be reviewed and approved in accordance with the Group's established internal approval procedures. In addition, before deciding to acquire financial products and/or services provided by CR Bank and/or CR Trust, the Group shall also obtain quotations from other independent comparable financial service providers and compare the relevant terms such as the principal, the interests and service fees.

Before placing of deposits or engagement with any transactions with CR Bank or CR Trust, subsidiaries or the Sponsored Hospitals shall submit proposals and quotations to their respective finance director for approval, after which, approval shall be obtained from the finance director (capital) of the Group's finance department. These transactions are subject to the final approval of the chief financial officer of the Company.

Before entering into any new deposit arrangement CR Bank, the Group will obtain two to three quotations from other independent comparable financial institutions for similar deposit services for similar duration.

Before deciding to purchase financial products provided by CR Bank and/or CR Trust or using the financial services provided by them, two to three quotations will be obtained from other independent financial institutions.

The total volume of these transactions will be reported to the Group's finance department on a regular basis such that the finance department is able to monitor the annual caps of these transactions. In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the New CCT Agreements and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the New CCT Agreements, on normal commercial terms, in the interest of the Company and its shareholders as a whole, and in accordance with the relevant pricing policies.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising Mr. Wu Ting Yuk, Anthony, Mr. Kwong Kwok Kong, Ms. Chiu Kam Hing Kathy and Mr. Lee Kar Chung Felix, all being independent non-executive Directors, has been established to consider the New CCT Agreements, the transactions contemplated thereunder and the corresponding annual caps and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolutions the transactions contemplated under the New CCT Agreements and the corresponding annual caps. None of the members of the Independent Board Committee has any material interest in the New CCT Agreements.

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

EGM AND PROXY ARRANGEMENT

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the transactions contemplated under the New CCT Agreements and the corresponding annual caps. The notice of the EGM is set out on pages 47 to 49 of this circular. Pursuant to the Listing Rules, the votes of the Independent Shareholders on the proposed ordinary resolutions approving the New CCT Agreements and the corresponding annual caps thereunder will be taken by way of poll at the EGM and an announcement on the poll results will be made by the Company after the EGM.

Any Shareholders who have a material interest in the New CCT Agreements shall abstain from voting on the resolutions in relation thereto to be proposed at the EGM. As at the Latest Practicable Date, CRH, a controlling shareholder of the Company, together with its associate, directly and indirectly held 466,824,016 Shares, representing 36% of the total issued share capital of the Company, have material interest in the New CCT Agreements. As such, CRH and its associates shall abstain from voting on the ordinary resolution(s) approving the transactions contemplated under the New CCT Agreements and the corresponding annual caps in the EGM.

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

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

Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183

LETTER FROM THE BOARD

Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. 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 if you so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 21 to 22 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 41 of this circular in connection with the continuing connected transactions contemplated under the New CCT Agreements, the corresponding annual caps and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

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

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

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

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

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



China Resources Medical Holdings Company Limited
華潤醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

December 6, 2019

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) CRH PHARMACEUTICALS, MEDICAL DEVICES AND
MEDICAL CONSUMABLES FRAMEWORK AGREEMENT
(2) CR BANK STRATEGIC COOPERATION AGREEMENT
AND
(3) CR TRUST STRATEGIC COOPERATION AGREEMENT

We refer to the circular of the Company dated December 6, 2019 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

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

Having considered the terms of the New CCT Agreements and the advice of the Independent Financial Adviser in relation thereto as set out on pages 23 to 41 of the Circular, we are of the opinion that the terms of the New CCT Agreements and the corresponding annual caps are fair and reasonable, on normal commercial terms and the New CCT Agreements are entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,

Independent Board Committee

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

Mr. KWONG Kwok
Kong
Independent
non-executive
Director

Ms. CHIU Kam
Hing Kathy
Independent
non-executive
Director

Mr. LEE Kar Chung
Felix
Independent
non-executive
Director

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of transactions contemplated under the New CCT Agreements for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

6 December 2019

*To: The independent board committee and the independent shareholders
of China Resources Medical Holdings Company Limited*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of transactions contemplated under the New CCT Agreements (the “CCTs”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 6 December 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 7 November 2019, the Company entered into (i) the CRH PMM Framework Agreement with CRH; (ii) the CR Bank Strategic Cooperation Agreement with CR Bank; and (iii) CR Trust Strategic Cooperation Agreement with CR Trust, to renew the terms and annual caps of the CCTs. The New CCT Agreements have term of three years from 1 January 2020 and ending on 31 December 2022.

With reference to the Board Letter, the transactions contemplated under the New CCT Agreements constitute continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Ms. CHIU Kam Hing Kathy and Mr. LEE Kar Chung Felix (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the CCTs and their proposed annual caps are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned; (ii) whether the CCTs are conducted under the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the New CCTs Framework Agreements and transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, 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. We have assumed that all information and representations that have been provided by the Directors, 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 Latest Practicable Date. 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. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the CCTs. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The 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 enquiry, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters omitted which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CRH, CR Bank, CR Trust or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the CCTs. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the CCTs, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the CCTs

Business overview of the Group

With reference to the Board Letter, the Group is principally engaged in the provision of general hospital services, hospital management services and the group purchasing organization (“GPO”) business in the PRC.

LETTER FROM GRAM CAPITAL

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report") and the six months ended 30 June 2019 as extracted from the Company's interim report for the six months ended 30 June 2019 (the "2019 Interim Report"):

	For the six months ended 30 June 2019 <i>RMB'000</i> (unaudited)	For the year ended 31 December 2018 <i>RMB'000</i> (audited)	For the year ended 31 December 2017 <i>RMB'000</i> (audited)	Change from 2017 to 2018 %
Revenue	964,939	2,059,478	1,877,724	9.68
— <i>General healthcare services</i>	326,713	712,607	664,282	7.27
— <i>Hospital management services</i>	204,877	452,368	325,931	38.79
— <i>GPO business</i>	415,424	863,974	857,720	0.73
— <i>Other hospital derived services</i>	17,925	30,529	29,791	2.48
Gross profit	345,563	756,678	668,237	13.23
Profit attributable to owners of the Company	183,121	430,898	421,034	2.34
	As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)	As at 31 December 2017 <i>RMB'000</i> (audited)	Change from 2017 to 2018 %
Certificate of deposit	77,499	57,863	55,426	4.40
Bank balances and cash	1,555,455	1,524,176	877,054	73.78

As illustrated in the above table, the Group's revenue amounted to approximately RMB2.06 billion for the year ended 31 December 2018 ("FY2018"), representing an increase of approximately 9.68% as compared with that for the year ended 31 December 2017 ("FY2017"). The Group's hospital management services achieved the highest growth in revenue among all the Group's business segments. The Group's revenue growth in FY2018 also led to increase in gross profit and profit attributable to owners of the Company for FY2018 as compared to those for FY2017.

For the six months ended 30 June 2019, the Group continue to record profit attributable to owners of the Company. The Group's certificate of deposit and bank balances and cash amounted to approximately RMB1.63 billion as at 30 June 2019.

LETTER FROM GRAM CAPITAL

With reference to the 2019 Interim Report, the Group will continue to focus on developing a standardised hospital operation and management system, refining operations of different disciplines, improving its service to patients in order to enhance its capabilities in the operation and management of its network hospitals and building a better brand name. In respect of business expansion, the Group aim to acquire core medical assets and expand its hospital network, building regionally integrated collaborative medical system with good quality and high efficiency, exploring the opportunities in for profit specialists medical centers, expanding its business scale in the healthcare industry, and maintaining leading position in the market in the country's key areas with rapid development, the areas within the China Resources Healthcare Strategy, the areas with great potential in economic development, and the areas where the group of CRH has already had an advantageous layout in business development.

Information of CRH, CR Bank and CR Trust

With reference to the Board Letter, CRH is a diversified conglomerate in the Greater China, which is one of the key and large scale state-owned enterprises under the administration of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC. CRC is the holding company of CRH. CRC is principally engaged in investment holding and via its subsidiaries and associates including CRH, CRC carries out businesses in various industries including consumer products, healthcare and pharmaceutical, real estate, energy and financial services. CRC is a state-owned entity under direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CRH is indirectly and wholly-owned by CRC.

With reference to the Board Letter, CR Bank is a licensed bank regulated by the China Banking and Insurance Regulatory Commission and is headquartered in Zhuhai, Guangdong Province, the PRC. It has branches and sub-branches in different locations in the PRC where it operates and provides financial and commercial banking services. CR Bank is held about 75.33% by CRC, 7.59% by Finance Bureau of Zhuhai and the remaining interest is held by certain other shareholders which are independent from CRC.

With reference to the Board Letter, CR Trust is an integrated financial service provider headquartered in Shenzhen, Guangdong Province, the PRC, and is authorized by the relevant regulatory body to operate and conduct business on a nationwide basis in the PRC. CR Trust is held 51% by CRC and 49% by Shenzhen Investment Holdings Co., Ltd. The latter is independent from CRC.

CRH, CR Bank and CR Trust are connected persons of the Company according to Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the CCTs

CRH PMM Framework Agreement

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

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

CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement

With reference to the Board Letter, the entering into of the CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement shall enable the Group to enhance its overall liquidity, optimize its utilization of cash and capital, and benefit from greater flexibility in the Group's cash and capital management for generation of better return. Under the strategic cooperation agreements, the Group is not required to exclusively use the deposit services and other financial services and products provided by CR Bank and/or CR Trust. The Board is of the view that the Group will retain the flexibility and

LETTER FROM GRAM CAPITAL

discretion in selecting CR Bank, CR Trust, and/or other independent financial institutions or commercial banks taking into consideration its business needs and the fees and quality of services and products offered.

Having considered (i) that the PMM Items purchases under the CRH PMM Framework Agreement (the “**PMM Items Purchases**”) and the deposit services under the CR Bank Strategic Cooperation Agreement (the “**Deposit Services**”) are required for the Group’s business operation; (ii) the financial products provided under the CR Bank Strategic Cooperation Agreement and the CR Trust Strategic Cooperation Agreement (the “**Financial Products Provision**”) can allow greater flexibility in the Group’s cash and capital management for generation of better return; and (iii) the reasons for and benefits of the CCTs as set out above, we concur with the Directors’ view that the CCTs are in the interests of the Company and the Shareholders as a whole and are conducted under the ordinary and usual course of business of the Group.

2. Principal terms of the CCTs

CRH PMM Framework Agreement

Date: 7 November 2019

Parties: (i) the Company; and
(ii) CRH.

Term: From 1 January 2020 to 31 December 2022

Subject matter: Pursuant to the CRH PMM Framework Agreement, CRH may, through its subsidiaries, supply PMM Items to the Group and the Sponsored Hospitals from time to time. The Group and the Sponsored Hospitals may place purchase orders for the PMM Items with CRH or its subsidiaries from time to time and CRH or its subsidiaries may sell the products to the Group and the Sponsored Hospitals at a price in accordance with the agreed pricing policy. 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: The pricing policy for the PMM Items Purchases are set out under the section headed “Pricing policy for PMM Item purchase” of the Board Letter.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained from the Company breakdowns of PMM Items Purchases for FY2017, FY2018 and the nine months ended 30 September 2019 (the “**PMM Items Purchases Breakdowns**”). We randomly selected a transaction record in each of FY2017, FY2018 and the nine months ended 30 September 2019 from the PMM Items Purchases Breakdowns and the Company provided us transaction documents regarding the selected transaction records, together with transaction documents relating to similar PMM Items purchased by the Group/Sponsored Hospitals from independent third parties, for each selected PMM Items Purchases transaction record. We noted from the aforesaid documents that the unit prices of the PMM Items purchased from CRH’s subsidiaries were not higher than the unit prices of similar PMM Items purchased from independent third parties.

With reference to the 2018 Annual Report and as confirmed by the Directors, the independent non-executive Directors have reviewed, amongst others, the PMM Items Purchases for FY2018 and confirmed that the transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) either on normal commercial terms, or on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Company’s shareholders as a whole (the “**INED Confirmation**”).

With reference to the 2018 Annual Report and as confirmed by the Directors, pursuant to Rule 14A.56 of the Listing Rules, the Company’s auditors were engaged to report on, amongst others, the PMM Items Purchases for FY2018 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the PMM Items Purchases in accordance with Rule 14A.56 of the Listing Rules (the “**Auditors Report**”).

With reference to the Board Letter, the Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions (the “**IC Measures**”), including (without limitation) the regular reporting of transaction volume to the Group’s finance department for monitoring the annual caps of the relevant transactions.

We consider that the effective implementation of the IC Measures would help to ensure fair pricing of the PMM Items Purchases. Having taken into account of our due diligence work as aforementioned, the INED Confirmation and the Auditors Report, we have no doubt on the effectiveness of the IC Measures as to ensuring fair pricing of the PMM Items Purchases.

LETTER FROM GRAM CAPITAL

Annual caps of PMM Items Purchases (the “PMM Cap(s)”)

The historical figures and existing annual caps of the PMM Items Purchases for the three years ending 31 December 2019 are set out as follows:

	For the year ended 31 December 2017 <i>RMB'million</i>	For the year ended 31 December 2018 <i>RMB'million</i>	For the year ending 31 December 2019 <i>RMB'million</i>
Historical transaction amounts	566.1	489.6	309.2 (<i>Note</i>)
Existing annual caps	970.0	1,500.0	1,710.0
Utilisation rate (%)	58	33	Not determined yet

Note: Historical amount for the nine months ended 30 September 2019.

The proposed annual caps of the PMM Items Purchases are set out as follows:

	For the year ending 31 December 2020 <i>RMB'million</i>	For the year ending 31 December 2021 <i>RMB'million</i>	For the year ending 31 December 2022 <i>RMB'million</i>
Annual caps	1,000.0	1,140.0	1,400.0

We noted that the PMM Caps for the three years ending 31 December 2022 were determined with reference to the factors set out under the section headed “Annual caps of CRH PMM Framework Agreement and basis of determination” of the Board Letter.

As advised by the Directors, the Group purchases PMM Items for (i) its own hospital use; and (ii) GPO business which integrates the purchase of medical materials for the Group’s in-network hospitals. The Sponsored Hospitals purchase PMM Items for their own use and their community centres use.

As depicted from the above table, the utilisation rates of the PMM Caps for FY2017 and FY2018 were approximately 58% and 33% respectively. The PMM Items Purchases amount for the nine months ended 30 September 2019 only reached approximately 18% of the PMM Cap for the year ending 31 December 2019. Upon our enquiry, the Company advised us that the Group and the Sponsored Hospitals can select suppliers for PMM Items at their own discretion. During FY2017, the proportion of the PMM Items Purchases to the total PMM

LETTER FROM GRAM CAPITAL

Items purchased by the Group and the Sponsored Hospitals was low and such proportion decreased in FY2018 and the nine months ended 30 September 2019. Accordingly, the utilisation rates of the existing PMM Caps were not high.

Given the above, it is reasonable for the Company to set the PMM Caps for the three years ending 31 December 2022 substantially lower than the PMM Cap for the year ending 31 December 2019.

To assess the fairness and reasonableness of the PMM Caps for the three years ending 31 December 2022, we obtained the calculation for the PMM Caps (the “**PMM Caps Calculation**”). We noted that the PMM Caps Calculation covers the following elements:

- (i) Estimated PMM Items demand of the Group and each of the Sponsored Hospitals for the three years ending 31 December 2022.
- (ii) The estimated proportion of PMM Items Purchases to the total PMM Items demand of the Group and each of the Sponsored Hospitals for the three years ending 31 December 2022. The overall estimated proportion of PMM Items Purchases to the total PMM Items demand for the three years ending 31 December 2022 is (a) close to the proportion of PMM Items Purchases to the total PMM Items purchased by the Group and the Sponsored Hospitals in FY2017; (b) higher than such proportions in FY2018 and the nine months ended 30 September 2019.
- (iii) Based on factors (i) and (ii) above, the Company estimated PMM Items Purchases to be approximately RMB622 million for the year ending 31 December 2020, which is 10% higher than the PMM Items Purchases for FY2017.
- (iv) Among the estimated PMM Items Purchases of approximately RMB622 million for the year ending 31 December 2020: (a) estimated PMM Items Purchases of approximately RMB61 million is applied for the GPO business; and (b) estimated PMM Items Purchases of approximately RMB561 million is applied for the use of the Group’s own hospital, the Sponsored Hospitals and the community centres of the Sponsored Hospitals.
- (v) With reference to the 2019 Interim Report, the Group entered into a hospital operation and management agreement on 21 March 2018, pursuant to which the Group provides operation and management services to Tai’an City Hospital (an IOT hospital (i.e. “investment, operation & transfer” hospital invested and operated by the Group but the Group does not have ownership)) for a cooperation term of 20 years. Tai’an City Hospital is currently under construction and expected to start operation in the fourth quarter of 2019. The Company expects to

LETTER FROM GRAM CAPITAL

conduct PMM Items Purchases of approximately RMB110 million and resell such PMM Items to the aforesaid hospital through the GPO business.

- (vi) The Company expects to invest in, establish and/or acquire additional self-owned hospital, Sponsored Hospitals and/or associated community centres, for the three years ending 31 December 2022. Based on the average estimated PMM Items Purchases per unit of self-owned hospital, Sponsored Hospitals and/or associated community centres, additional PMM Items Purchases of approximately RMB180 million, RMB270 million and RMB470 million are required for the three years ending 31 December 2020, 2021 and 2022 respectively.
- (vii) As mentioned in paragraph (iii) above, the Company estimated PMM Items Purchases to be approximately RMB622 million for the year ending 31 December 2020. Together with the expected PMM Items Purchases of approximately RMB110 million to be resold to Tai'an City Hospital through the GPO business as mentioned in paragraph (v) above and the additional PMM Items Purchases of approximately RMB180 million for newly invested, established and/or acquired self-owned hospital, Sponsored Hospitals and/or associated community centres as mentioned in paragraph (vi) above, the expected PMM Items Purchases will be approximately RMB912 million for the year ending 31 December 2020. The PMM Cap of RMB1,000 million for the year ending 31 December 2020 was derived after incorporating approximately 10% buffer.
- (viii) There will be slight growth in the estimated PMM Items Purchases for (a) the Group's own hospital use; (b) the Group's GPO business; and (c) use of the Sponsored Hospitals and their community centres, in the two years ending 31 December 2021 and 2022. Together with (a) the additional PMM Items Purchases of approximately RMB270 million and RMB470 million in the two years ending 31 December 2021 and 2022 respectively for newly invested, established and/or acquired self-owned hospital, Sponsored Hospitals and/or associated community centres as mentioned in paragraph (vi) above; and (b) approximately 10% buffer, the PMM Caps of RMB1,140 million and RMB1,400 million for the two years ending 31 December 2021 and 2022 were derived.

Having considered the PMM Caps Calculation above, we consider the PMM Caps for the three years ending 31 December 2022 to be fair and reasonable.

In light of the above, we consider that the terms of the PMM Items Purchases (including the PMM Caps) are on normal commercial terms and are fair and reasonable.

LETTER FROM GRAM CAPITAL

CR Bank Strategic Cooperation Agreement

Date: 7 November 2019

Parties: (i) the Company; and

(ii) CR Bank

Term: From 1 January 2020 to 31 December 2022

Scope of services: The Group and the Sponsored Hospitals may place deposits with CR Bank and use other financial services and products of CR Bank, including (but not limited to) the provision of letters of credit, guarantee, loans with collaterals, bill of exchange and discount services, assignment of receivables, RMB and foreign exchange settlement, entrusted loans and collaterals, financial and cash management services, financial advisory services and other financial services and products as agreed by the parties.

Pricing basis: The deposits placed with CR Bank will bear the same interest and will be on the same terms and conditions as would apply to similar deposits made by other independent customers of CR Bank, which rates are determined with reference to the rates published by the PBOC or such other preferred rates in the market.

The fees and charges for other financial services and products provided by CR Bank will be determined by arm's length negotiations between the parties and based on normal commercial terms, and shall not be higher than the rates published by CR Bank that are applicable to its independent customers.

For our due diligence purpose, we obtained lists of deposit balances regarding deposit placed by the Group and Sponsored Hospitals with CR Bank (the "**Connected Deposit Balance(s)**") for FY2017, FY2018 and the nine months ended 30 September 2019 (the "**Deposit Lists**"). We randomly selected a Connected Deposit Balance in each of FY2017, FY2018 and the nine months ended 30 September 2019 from the Deposit Lists and the Company provided us deposit records on the selected Connected Deposit Balances, together with comparable deposit records relating to deposit placed by the Group with independent third party, for each selected Connected Deposit Balance. We noted from the aforesaid documents that the interest rates of the Group's/Sponsored Hospitals' deposits placed with CR Bank were not lower than the interest rates of the Group's/Sponsored Hospitals' deposits placed with independent third parties.

LETTER FROM GRAM CAPITAL

As confirmed by the Directors, CR Bank did not charge service fees/commissions for Financial Products Provision during FY2017, FY2018 and the nine months ended 30 September 2019. Therefore, we did not make comparison with the financial products provided by independent third parties to the Group.

With reference to the 2018 Annual Report and as confirmed by the Directors, (i) the independent non-executive Directors have reviewed, amongst others, the Deposit Services and the Financial Products Provision for FY2018 and provided the INED Confirmation; and (ii) pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors were engaged to report on, amongst others, the Deposit Services and the Financial Products Provision for FY2018 and provided the Auditors Report.

With reference to the Board Letter, the Group has implemented adequate IC 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.

We consider that the effective implementation of the IC Measures would help to ensure fair determination of the interest rates for the Deposit Services and service fees/commissions for the Financial Products Provision. Having taken into account of our due diligence work as aforementioned, the INED Confirmation and the Auditors Report, we have no doubt on the effectiveness of the IC Measures as to ensuring fair determination of the interest rates for the Deposit Services and service fees/commissions for the Financial Products Provision.

Annual caps of Deposit Services (the "Deposit Cap(s)")

The historical figures and existing annual caps of the Deposit Services for the three years ending 31 December 2019 are set out as follows:

	For the year ended 31 December 2017 RMB'million	For the year ended 31 December 2018 RMB'million	For the year ending 31 December 2019 RMB'million
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable)	100.5	204.3	234.5 (<i>Note</i>)
Existing annual caps	300.0	300.0	300.0
			Not determined
Utilisation rate (%)	34	68	yet

Note: Historical amount for the nine months ended 30 September 2019.

LETTER FROM GRAM CAPITAL

The proposed annual caps of the Deposit Services are set out as follows:

	For the year ending 31 December 2020 <i>RMB'million</i>	For the year ending 31 December 2021 <i>RMB'million</i>	For the year ending 31 December 2022 <i>RMB'million</i>
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable)	400.0	400.0	400.0

We noted that the Deposit Caps for the three years ending 31 December 2022 were determined with reference to the factors set out under the section headed “Annual caps of CR Bank Strategic Cooperation and CR Trust Strategic Cooperation Agreement and basis of determination” of the Board Letter.

With reference to the 2019 Interim Report, the Group’s certificate of deposit and bank balances and cash in aggregate amounted to approximately RMB1,582 million as at 31 December 2018 and approximately RMB1,633 million as at 30 June 2019. Nevertheless, the Deposit Caps for the two years ending 31 December 2019 were not fully utilised.

In addition, (i) the aggregated amount of the Group’s certificate of deposit and bank balances and cash as at 31 December 2018 and 30 June 2019 respectively; and (ii) the maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) of RMB204.3 million and RMB234.5 million for FY2018 and the nine months ended 30 September 2019, indicated that the Group placed substantial amount of deposit with banks other than CR Bank. The Directors advised us that the Group placed approximately 79% of its deposit with three banks other than CR Bank as at 31 October 2019.

Having considered the Group’s certificate of deposit and bank balances and cash as mentioned above, the Company’s plan to start placing more deposit with CR Bank as a part of the Company’s plan to improve its cash management and diversify its concentration risk (placing approximately 79% of its deposit with three banks other than CR Bank as at 31 October 2019), it is reasonable for the Company to set the Deposit Caps for the three years ending 31 December 2022 at a higher level, being RMB400 million.

Accordingly, we consider the Deposit Caps for the three years ending 31 December 2022 to be fair and reasonable.

In light of the above, we consider that the terms of the Deposit Services (including the Deposit Caps) are on normal commercial terms and are fair and reasonable.

LETTER FROM GRAM CAPITAL

CR Trust Strategic Cooperation Agreement

- Date:** 7 November 2019
- Parties:** (i) the Company; and
(ii) CR Trust
- Term:** From 1 January 2020 to 31 December 2022
- Scope of services:** The Group and the Sponsored Hospitals may use the services and products provided by CR Trust, including (but not limited to) cash management, asset management, custodian trust loan services, assignment of receivables, advisory services in relation to redemptory monetary capital for sale, and other financial or trust services and products as agreed by the parties.
- Pricing basis:** The services and products will be provided by CR Trust on normal commercial terms which apply to its other independent customers.

As there was no Financial Products Provision by CR Trust during FY2017, FY2018 and the nine months ended 30 September 2019, we could not make comparison with the financial products provided by independent third parties to the Group.

With reference to the Board Letter, the Group has implemented adequate IC 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.

We consider that the effective implementation of the IC Measures would help to ensure fair determination of the service fees/commissions for the Financial Products Provision.

LETTER FROM GRAM CAPITAL

Annual caps of the Financial Products Provision (the “Financial Products Cap(s)”)

The historical figures and existing annual caps of the Financial Products Provision for the three years ending 31 December 2019 are set out as follows:

In respect of CR Bank	For the year ended 31 December 2017 <i>RMB'million</i>	For the year ended 31 December 2018 <i>RMB'million</i>	For the year ending 31 December 2019 <i>RMB'million</i>
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank	183.1	200.0	130.0 <i>(Note)</i>
Existing annual caps	200.0	200.0	200.0
Utilisation rate (%)	92	100	Not determined yet
Maximum service fees and commissions for other financial products and services to be provided by CR Bank	Nil	Nil	Nil <i>(Note)</i>
Existing annual caps	3.0	3.0	3.0
Utilisation rate (%)	—	—	Not determined yet

Note: Historical amount for the nine months ended 30 September 2019.

The existing annual caps of the Financial Products Provision by CR Trust for each of the three financial years ending 31 December 2019 are:

- (1) maximum daily principal and interest — RMB100 million; and
- (2) the corresponding service fees and commissions — RMB3 million.

The Group and the Sponsored Hospitals had not used any Financial Products Provision by CR Trust for FY2017, FY2018 and the nine months ended 30 September 2019.

LETTER FROM GRAM CAPITAL

The proposed annual caps of the Financial Products Provision are set out as follows:

	For the year ending 31 December 2020 <i>RMB'million</i>	For the year ending 31 December 2021 <i>RMB'million</i>	For the year ending 31 December 2022 <i>RMB'million</i>
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank and CR Trust	400.0	400.0	400.0
Maximum service fees and commissions for other financial products and services to be provided by CR Bank and CR Trust	8.0	8.0	8.0

We noted that the Financial Products Caps for the three years ending 31 December 2022 were determined with reference to the factors set out under the section headed “Annual caps of CR Bank Strategic Cooperation and CR Trust Strategic Cooperation Agreement and basis of determination” of the Board Letter.

As depicted from the above table, the Financial Products Cap in respect of CR Bank for FY2017 (except for the service fees/commissions) was utilised as to approximately 92% and the Financial Products Cap in respect of CR Bank for FY2018 (except for the service fees/commissions) was fully utilised.

The Group and the Sponsored Hospitals had not used any Financial Products Provision by CR Trust for FY2017, FY2018 and the nine months ended 30 September 2019.

Nevertheless, with reference to the 2019 Interim Report, (i) the Group’s certificate of deposit and bank balances and cash in aggregate amounted to approximately RMB1,582 million as at 31 December 2018 and approximately RMB1,633 million as at 30 June 2019; and (ii) the Group had financial assets at fair value through profit or loss (FVTPL) (current assets) of approximately RMB315 million as at 31 December 2018 and approximately RMB321 million as at 30 June 2019 (as advised by the Directors, such financial assets represent the financial products invested by the Group).

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, “the anticipated growth in the business of the Group and the Sponsored Hospitals leading to increase in net cash inflow of the Group and the Sponsored Hospitals which may be used for purchase of financial services or products from CR Bank and CR Trust” is one of the factors considered by the Company for determination of the Financial Products Caps for the three years ending 31 December 2022.

As aforementioned, the Group’s revenue amounted to approximately RMB2.06 billion for FY2018, representing an increase of approximately 9.68% as compared with that for FY2017. The Group’s revenue growth in FY2018 also led to increase in gross profit and profit attributable to owners of the Company for FY2018 as compared to those for FY2017. In addition, we noted from the 2018 Annual Report that the Group recorded positive net cash from operating activities for both FY2017 and FY2018. This indicates that the Group’s business operation contributed to the increase in the Group’s cash balance.

Furthermore, we noted from the 2018 Annual Report that (i) the Group’s purchase of financial assets at FVTPL amounted to approximately RMB4,886 million and RMB4,623 million for FY2017 and FY2018 respectively; and (ii) the Group’s proceeds from disposal of financial assets at FVTPL amounted to approximately RMB4,293 million and RMB4,968 million for FY2017 and FY2018 respectively.

Having considered the above and that the Group and the Sponsored Hospitals may utilise its cash to invest in financial products, we consider the Financial Products Caps of RMB400 million per annum in respect of the maximum daily principal amount and interest in relation to financial products to be provided by CR Bank and CR Trust for the three years ending 31 December 2022 to be reasonable.

Although CR Bank did not charge service fees/commissions for Financial Products Provision during FY2017, FY2018 and the nine months ended 30 September 2019, it is reasonable for the Company to reserve 2% per annum of the maximum daily principal amount and interest in relation to financial products to be provided by CR Bank and CR Trust (i.e. RMB8 million) as possible fees/commissions to be charged for the three years ending 31 December 2022.

Accordingly, we consider the Financial Products Caps for the three years ending 31 December 2022 to be fair and reasonable.

In light of the above, we consider that the terms of the Financial Products Provision (including the Financial Products Caps) are on normal commercial terms and are fair and reasonable.

LETTER FROM GRAM CAPITAL

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the CCTs must be restricted by the annual caps for the period concerned under the New CCT Agreements; (ii) the terms of the New CCT Agreements must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the New CCT Agreements must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the CCTs (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps. In the event that the maximum amounts of the CCTs are anticipated to exceed the annual caps, or that there is any proposed material amendment to the terms of the New CCT Agreements, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the CCTs and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the CCTs are conducted under the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the CCTs are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the New CCT Agreements and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking 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.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive 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 are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or are required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are 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 are listed as follows:

Long Position in the Shares

Name	Capacity/Nature of Interest	Number of shares held/interested ^(Note)	Approximate percentage of interest (%)
Wu Ting Yuk, Anthony	Beneficial owner	1,500,000	0.12
Song Qing	Beneficial owner	400,000	0.03
Cheng Libing	Beneficial owner	1,774,746	0.14
Ren Yuan	Beneficial owner	300,000	0.02
Fu Yanjun	Beneficial owner	659,540	0.05

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 (the corresponding number of award shares are: 1,500,000 Shares to Mr. Wu Ting Yuk, Anthony; 400,000 Shares to each of Mr. Song Qing and Mr. Cheng Libing; 300,000 Shares to each of Ms. Ren Yuan and Ms. Fu Yanjun).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company has 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) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company 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 pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of shares held/ interested	Approximate percentage of interest (%)
China Resources Company Limited	Interest of a controlled corporation	466,824,016(L) <i>(Note 1)</i>	36.00
Mitsubishi UFJ Financial Group, Inc.	Interest of a controlled corporation	128,601,000(L) <i>(Note 2)</i>	9.92

L: Long Position

Notes:

- (1) 462,913,516 of these shares are directly held by CRH (Medical) Limited. CRH (Medical) Limited is wholly owned by China Resources Healthcare Group Limited. China Resources Healthcare Group Limited is wholly owned by CRH (Healthcare) Limited. CRH (Healthcare) Limited is wholly owned by China Resources (Holdings) Company Limited. China Resources (Holdings) Company Limited 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; (2) 3,910,500 of these shares are directly held by Commotra Company Limited which is wholly owned by China Resources (Holdings) Company Limited.
- Mitsubishi UFJ Financial Group, Inc. is the sole shareholder of Mitsubishi UFJ Trust and Banking Corporation whilst the latter is directly holding the entire shareholding interest in Carol Australia Holdings Pty Limited. Carol Australia Holdings Pty Limited (via its wholly-owned subsidiary First State Investment Managers (Asia) Limited) held the entire interest in First State Investments (Hong Kong) Limited and the latter directly held 128,601,000 Shares (representing 9.92% of the issued shares of the Company).

Save as disclosed above, as at the Latest Practicable Date, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interest are set out in the section “Disclosure of Interests of Directors and Chief Executives” above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

4. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors were not aware that any of them or any of their respective close associates had 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.

5. DIRECTORS’ INTEREST IN ASSET AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interests in any assets which have been since December 31, 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any contract or arrangement at the Latest Practicable Date which was significant in relation to the business of the Group.

6. 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 (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since December 31, 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice for inclusion in this circular:

Name	Qualifications
Gram Capital Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

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

As at the Latest Practicable Date, Gram Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. The aggregate of amounts due to the group of the Independent Financial Adviser from the Company did not exceed 10% of the total assets shown in the latest consolidated financial statements of the Independent Financial Adviser's ultimate holding company.

As at the Latest Practicable Date, Gram Capital had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since December 31, 2018 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to.

9. CORPORATE INFORMATION OF THE COMPANY

Registered Office	Harneys Services (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street PO Box 10240, Grand Cayman KY1-1002, Cayman Islands
Head office and principal place of business in Hong Kong	41/F, China Resources Building 26 Harbour Road Wanchai, Hong Kong

Principal share registrar and transfer agent	Harneys Services (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street PO Box 10240, Grand Cayman KY1-1002, Cayman Islands
Hong Kong share registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17/F, Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company’s principal place of business in Hong Kong at 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the 2016 CRH PPM Framework Agreement;
- (b) the 2017 CR Bank Strategic Cooperation Agreement;
- (c) the 2017 CR Trust Strategic Cooperation Agreement;
- (d) the CRH PPM Framework Agreement;
- (e) the CR Bank Strategic Cooperation Agreement;
- (f) the CR Trust Strategic Cooperation Agreement;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (h) the letter from Gram Capital, the text of which is set out on pages 23 to 41 of this circular; and
- (i) the letter of consent from Gram Capital referred to in the above paragraph headed “Expert and Consent” in the Appendix to this circular.



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 the 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 Tuesday, December 24, 2019 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

THAT

- “1. the execution of the CRH PMM Framework Agreement dated November 7, 2019 (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 CRH, 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 may in his discretion consider necessary or desirable for the purposes of or in connection with the implementation of the CRH PMM Framework Agreement and the transactions contemplated thereunder; and the corresponding annual caps for the three years ending December 31, 2022 under the CRH PMM Framework Agreement as set out in the circular of the Company dated December 6, 2019 be and are hereby approved.
2. the execution of the CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement dated November 7, 2019 (copies of which have been produced to the EGM marked “B” and signed by the Chairman of the EGM for identification purpose) entered into between the Company and CR Bank and CR Trust, respectively, by any director(s) of the Company be and is hereby approved, confirmed and ratified; any director(s) of the Company be and is hereby authorized to sign, execute, perfect and deliver all such documents and to affix the common seal of the Company on any such document as and when necessary and do all such deeds, acts, matters and things as he may in his

NOTICE OF EGM

discretion consider necessary or desirable for the purposes of or in connection with the implementation of the CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement and the transactions contemplated thereunder; and the corresponding annual caps for the three years ending December 31, 2022 under the CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement as set out in the circular of the Company dated December 6, 2019 be and are hereby approved.”

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

Beijing, December 6, 2019

Registered office:

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
PO Box 10240
Grand Cayman KY1-1002
Cayman Islands

Principal place of business in Hong Kong:

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

Notes:

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

NOTICE OF EGM

3. A proxy form 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 proxy form 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 proxy form, together with a power of attorney or other authority, if any, under which it is signed, or a notarially 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, Wan Chai, Hong Kong not less than 48 hours before the time appointed 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 proxy form appointing a proxy shall be deemed to be revoked.
7. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Thursday, December 19, 2019 to Tuesday, December 24, 2019 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than Hong Kong Time 4:30 p.m. on Wednesday, December 18, 2019.

As at the date of this notice, the Board comprises Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Ms. CHIU Kam Hing Kathy and Mr. LEE Kar Chung Felix as independent non-executive Directors; Mr. WANG Yan as non-executive Director; Mr. SONG Qing, Mr. CHENG Libing, Ms. REN Yuan and Ms. FU Yanjun as executive Directors.