

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



**北控醫療健康產業集團有限公司**  
Beijing Enterprises Medical And Health Industry Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2389)**

**ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTION  
IN RELATION TO  
HOSPITAL MANAGEMENT AGREEMENT AND LEASE AGREEMENT**

**MANAGEMENT AGREEMENT**

On 16 May 2016 (after trading hours), Beijing Yicheng (an indirect wholly-owned subsidiary of the Company) entered into the Management Agreement with Beijing Lianjiao Factory and Beijing Lianjiao Hospital, pursuant to which Beijing Lianjiao Factory engaged Beijing Yicheng to manage the operation of Beijing Lianjiao Hospital, which is a non-profit degree one, class one hospital (非營利性一級甲等醫院), promoted by Beijing Lianjiao Factory for a term of thirty years commencing on 16 August 2016 and ending on 15 August 2046.

**LEASE AGREEMENT**

On 16 May 2016 (after trading hours), Beijing Yicheng also entered into the Lease Agreement with Beijing Lianjiao Factory, pursuant to which Beijing Lianjiao Factory agreed to lease the Properties to Beijing Yicheng for conducting medical care and health care related business for a term of five years commencing on the next day following the end of the Rent-free Period.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Beijing Lianjiao Factory is an indirect wholly-owned subsidiary of Beijing Holdings, which is a substantial shareholder of the Company. Accordingly, Beijing Lianjiao Factory is a connected person of the Company and the entering into of each of the Management Agreement and the Lease Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) for the Management Agreement and the Lease Agreement are in aggregate more than 0.1% but less than 5%, the Management Agreement and the Lease Agreement are subject to the reporting and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the period for each of the Management Agreement and the Lease Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, Gram Capital, the Independent Financial Adviser has issued an independent opinion confirming that, the period of each of the Management Agreement and the Lease Agreement exceeding three years is consistent with the practice commonly adopted for similar types of transactions.

## MANAGEMENT AGREEMENT

Date : 16 May 2016

Parties : (1) Beijing Yicheng;  
(2) Beijing Lianjiao Factory; and  
(3) Beijing Lianjiao Hospital.

## PRINCIPAL TERMS

Pursuant to the Management Agreement, Beijing Lianjiao Factory agreed to engage Beijing Yicheng to manage the operation of Beijing Lianjiao Hospital, which is a non-profit degree one, class one hospital (非營利性一級甲等醫院), promoted by Beijing Lianjiao Factory for a term of thirty years commencing on 16 August 2016 and ending on 15 August 2046 (the “**Management Period**”). Beijing Lianjiao Hospital currently holds the Non-profit Medical Institution Practice Licence (非營利性醫療機構執業許可證) and Beijing Pension Service Practice Licence (北京市養老服務機構執業許可證). The purpose of the Management Agreement is to introduce the advanced professional management operation to, and increase

the value of, Beijing Lianjiao Hospital and improve the overall standards in respect of the technology, service, medical quality, environment, revenues, staff remuneration and working conditions of Beijing Lianjiao Hospital.

During the Management Period:

- (a) Beijing Lianjiao Hospital's non-profit status will in principle remain unchanged. During the first year of the Management Period, at the request of Beijing Yicheng, Beijing Lianjiao Factory should reconstitute Beijing Lianjiao Hospital into the form of a limited liability company. Beijing Yicheng shall recommend appropriate valuation institutions to value the assets of Beijing Lianjiao Hospital. After the reconstitution of Beijing Lianjiao Hospital, if Beijing Yicheng intends to acquire the whole or part of the equity interests in Beijing Lianjiao Hospital, Beijing Yicheng will have the right of first refusal to acquire such equity interests under the same conditions, with reference to the valuation results of the assets of Beijing Lianjiao Hospital;
- (b) both Beijing Lianjiao Factory and Beijing Lianjiao Hospital will, with the assistance of Beijing Yicheng, complete (among others) the promotion of Beijing Lianjiao hospital from class one to class two level and the change of name of Beijing Lianjiao Hospital in accordance with the requirements of Beijing Yicheng;
- (c) the ownerships of the properties (including the buildings, facilities, equipments etc) contributed by Beijing Yicheng will be vested in Beijing Yicheng;
- (d) Beijing Yicheng enjoys the exclusive management rights to manage the business and operation of Beijing Lianjiao Hospital. Beijing Lianjiao Factory or Beijing Lianjiao Hospital will not have any discussion, negotiation or enter into any agreement with any third party in relation to the transfer, lease, pledge, charge or creation of encumbrance on, the equity interests, assets, management rights, distribution rights or any other rights of Beijing Lianjiao Hospital without the prior written consent of Beijing Yicheng; and
- (e) Beijing Yicheng has the right to assign the whole or part of its rights and obligations under the Management Agreement to its related party.

### *Rights and obligations*

Pursuant to the terms of the Management Agreement, it is also agreed, among other things, that:

- (i) during the Management Period, Beijing Lianjiao Factory will confer the management right of Beijing Lianjiao Hospital to Beijing Yicheng, which includes (among other things) the usage of all assets, the operation of all departments and the management of all affairs, of Beijing Lianjiao Hospital;
- (ii) Beijing Yicheng could, at its own costs, purchase new equipments for the business of Beijing Lianjiao Hospital. Beijing Yicheng will enjoy the ownerships of such equipments;
- (iii) Beijing Yicheng could, at its own costs, reconstruct or renovate the buildings and land occupied by Beijing Lianjiao Hospital as required by the business. Beijing Lianjiao Factory and Beijing Lianjiao Hospital should assist Beijing Yicheng to obtain the necessary approvals and certificates from the relevant governmental authorities;
- (iv) Beijing Lianjiao Factory will be responsible for the claims and liabilities occurred before the actual transfer of the management right and Beijing Yicheng will be responsible for the claims and liabilities occurred after it actually manages Beijing Lianjiao Hospital;
- (v) Beijing Yicheng will have the full authority and sole discretion to decide the allocation of staff, remuneration arrangements and recruitment matters of Beijing Lianjiao Hospital. The existing staff of Beijing Lianjiao Hospital will be arranged by Beijing Lianjiao Factory, and Beijing Yicheng will not have any responsibility with respect to those staff;
- (vi) Following the transfer of the management right to Beijing Yicheng, Beijing Lianjiao Hospital will have a board of presidents, which will include president, vice-president, and chief financial officer. All of these members will be nominated by Beijing Yicheng. Beijing Lianjiao Hospital will also have a supervisor, which will be nominated by Beijing Yicheng and Beijing Lianjiao Hospital after mutual agreement. The supervisor will be responsible for supervising the implementation of the affairs of Beijing Lianjiao Hospital;
- (vii) As Beijing Lianjiao Hospital is currently in the status of suspension of business, Beijing Lianjiao Factory should ensure that Beijing Lianjiao Hospital is able to resume its business before 31 December 2016.

## *Services*

During the Management Period, the services to be provided by Beijing Yicheng include the following:

- (1) Beijing Lianjiao Hospital is authorized to use the brands of Beijing Yicheng;
- (2) Beijing Yicheng will provide financial resources for the enlargement, reconstruction and renovation of Beijing Lianjiao Hospital;
- (3) Beijing Yicheng will dispatch management team to manage and regulate the operation of Beijing Lianjiao Hospital;
- (4) Beijing Yicheng will share its own technology, expert, facilities and trainings with Beijing Lianjiao Hospital;
- (5) Beijing Yicheng will provide support in respect of procurement management, safety quality and market channel, etc.

Beijing Yicheng may enter into separate agreements with and charge fees from, Beijing Lianjiao Hospital in respect of the above supports as the circumstances may require.

## **Management Period**

The Management Period is thirty years commencing on 16 August 2016 and ending on 15 August 2046. There are three months transitional period (the “**Transitional Period**”) from 16 May 2016 till 15 August 2016, during which Beijing Yicheng will not commence the management services.

## **Admission Fees**

During the Management Period, Beijing Yicheng will pay Beijing Lianjiao Factory in an amount of RMB400,000 per year as the admission fees. For the avoidance of doubt, Beijing Yicheng does not need to pay any admission fee during the Transitional Period.

Beijing Yicheng shall pay the admission fees to Beijing Lianjiao Factory in the following manners:

- (a) for the first twelve months from 16 August 2016 to 15 August 2017, the admission fees of RMB400,000 will be paid by Beijing Yicheng in two installments, of which RMB300,000 will be paid on or before 21 May 2016, and the remaining RMB100,000 will be paid on or before 15 March 2017; and

- (b) from 16 August 2017 onward, Beijing Yicheng will pay the admission fees on a semi-annual basis in equal installments.

## **Service Fees**

In consideration for provision of the management services to Beijing Lianjiao Hospital, Beijing Yicheng will be entitled to the service fees in an amount equal to 30% of the total audited revenue generated by Beijing Lianjiao Hospital each year, provided that Beijing Yicheng may, at its sole discretion, elect to reduce the amount of the service fees payable by Beijing Lianjiao Hospital. The service fees will be paid by Beijing Lianjiao Hospital within five days after the issue of its annual audited accounts.

The service fees above are determined after arm's length negotiations with reference to (i) the resources to be contributed by Beijing Yicheng; and (ii) the profit margin of the similar business on the market as known to the Company.

## **Proposed Annual Caps**

### *Admission fees*

As the admission fee is a fixed amount, the annual caps under the admission fee for the three years ending 31 December 2018 are RMB200,000, RMB400,000 and RMB400,000, respectively.

### *Service fees*

The proposed annual caps for the transactions in relation to the provision of the management services by Beijing Yicheng to Beijing Lianjiao Hospital under the Management Agreement for the three years ending 31 December 2018 are RMB30,000,000, RMB50,000,000 and RMB72,000,000, respectively (the “**Annual Caps**”).

In determining the annual caps above, the Directors have taken into account the estimated revenue to be generated by Beijing Lianjiao Hospital.

The Company will strictly comply with the requirements under the Listing Rules should these be any necessary adjustment. The Board will set the new annual caps when the Annual Caps expire and will comply with all applicable requirements under Chapter 14A of the Listing Rules.

## LEASE AGREEMENT

Date : 16 May 2016

Parties : (1) Beijing Lianjiao Factory as lessor; and  
(2) Beijing Yicheng as lessee

### Property leasing

Pursuant to the Lease Agreement, Beijing Lianjiao Factory agreed to lease the Properties to Beijing Yicheng for use of conducting medical care and health care related business. Beijing Yicheng could not conduct any other business without the prior written consent of Beijing Lianjiao Factory.

The Properties comprise the buildings and ancillary facilities with a total gross floor area of approximately 11,087 square metres located at Yanwo Village, Chaoyang District, Beijing\* (北京市朝陽區燕窩村) (which is formerly known as Beijing Lianjiao Chemistry Factory Pot Station\* (北京煉焦化學廠罐站)) and the underlying parcel of land with site areas of approximately 15,087 square metres.

The lessor should obtain all necessary consents and approvals (whether internal or external) required to be obtained before leasing the Properties to the lessee.

### Lease Period

According to the Lease Agreement, the lessee is entitled to a three-month rent-free period starting from the actual delivery of the Properties to the lessee (the “**Rent-free Period**”).

The Lease Agreement is for a term of five years commencing from the next day following the end of the Rent-free Period (“**Lease Period**”).

Upon expiration of the Lease Period, Beijing Yicheng has the pre-emptive right to lease the Properties under the same conditions for not less than five years.

## **Rental and payment**

The rental under the Lease Agreement is a fixed amount of RMB3,200,000 annually, which is payable in the following manner:-

- (a) for the first twelve months during the Lease Period, the lessee will pay the lessor the annual rental in two installments, of which RMB2,000,000 will be paid on or before 21 May 2016 and the remaining RMB1,200,000 will be paid on or before 15 February 2017; and
- (b) thereafter, the lessee will pay the lessor the rental on a semi-annual basis in equal installments within five days preceding 16 August and 16 February of each year.

The lessor shall provide an invoice within 10 Business Days following receipt of the relevant rental.

As the rental is a fixed amount, the annual caps under the Lease Agreement for the three years ending 31 December 2018 are RMB1,600,000, RMB3,200,000 and RMB3,200,000, respectively.

The rental under the Lease Agreement is negotiated and agreed by the parties on an arm's length basis with reference to the location, the purpose of use of Properties and the market rental of similar land parcels and properties in nearby areas. No third party valuation has been performed on the Properties.

## **VIEW OF INDEPENDENT FINANCIAL ADVISER**

Since the term of each of the Management Agreement and the Lease Agreements is longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why each of the Management Agreement and Lease Agreements requires a longer period and to confirm that it is normal business practice for the agreements of this type to be of such duration. For this purpose, the Company has engaged Gram Capital as the Independent Financial Adviser.

## **The Management Agreement**

As mentioned above, Beijing Lianjiao Factory agreed to engage Beijing Yicheng to manage the operation of Beijing Lianjiao Hospital.



In assessing the reasons for the duration of the Management Agreement to be longer than three years, Gram Capital has considered, the following factors:

- (i) during the Management Period, Beijing Lianjiao Factory will confer the management right of Beijing Lianjiao Hospital to Beijing Yicheng, which includes (among other things) the usage of all assets, the operation of all departments and the management of all affairs, of Beijing Lianjiao Hospital;
- (ii) Beijing Yicheng could, at its own costs, purchase new equipments for the business of Beijing Lianjiao Hospital. Beijing Yicheng will enjoy the ownerships of such equipments;
- (iii) in consideration of provision of the management services to Beijing Lianjiao Hospital, Beijing Yicheng will be entitled to the service fees in an amount equal to 30% of the total audited revenue generated by Beijing Lianjiao Hospital each year; and
- (iv) the operation of the Beijing Lianjiao Hospital is expected to be longer than three years.

In considering whether it is normal business practice for agreements of similar nature with the Management Agreement to have term of such duration, Gram Capital has identified transactions entered into by companies listed on the Stock Exchange involving the provision of entrusted management, with duration of more than three years.

Taking into account of the above, Gram Capital confirms that the duration of the Management Agreement, which is longer than three years is required and it is normal business practice for the Management Agreement to be of such duration.

### **Lease Agreement**

As mentioned above, Beijing Lianjiao Factory agreed to lease the Properties to Beijing Yicheng for use of conducting medical care and health care related business. Beijing Yicheng could not conduct any other business without the prior written consent of Beijing Lianjiao Factory.

In assessing the reasons for the duration of Lease Agreement to be longer than three years, Gram Capital has considered, the following factors:

- (i) the proposed use of the Properties;
- (ii) the operation of the Beijing Lianjiao Hospital is expected to be longer than three years; and

(iii) the substantial initial set up cost and decoration cost of the hospital, which provides Beijing Yicheng incentives to secure a lease with a longer term to avoid frequent relocation of Beijing Lianjiao Hospital, which will be operated by Beijing Yicheng during the Management Period.

In considering whether it is normal business practice for agreements of similar nature with Lease Agreement to have a term of such duration, Gram Capital has identified transactions entered into by companies listed on the Stock Exchange involving the leasing of properties, with duration of more than three years.

Taking into account of the above, Gram Capital confirms that the duration of the Lease Agreement, which is longer than three years is required and it is normal business practice for the Lease Agreement to be of such duration.

## **REASONS FOR AND BENEFITS OF THE MANAGEMENT AGREEMENT AND THE LEASE AGREEMENT**

The Group principally engaged in the provision of medical care, health care and geriatric care related services and products. The Directors have been actively seeking and identifying investment and business opportunities in order to maximise the return to its Shareholders.

Beijing Lianjiao Hospital, which is a non-profit degree one, class one hospital (非營利性一級甲等醫院), promoted by Beijing Lianjiao Factory, currently holds the Non-profit Medical Institution Practice Licence (非營利性醫療機構執業許可證) and Beijing Pension Service Practice Licence (北京市養老服務機構執業許可證). Both parties' intention is to develop the Beijing Lianjiao Hospital into a middle-high class special hospital.

The Directors believes that, by entering into each of the Management Agreement and the Lease Agreement, the Group could speed up its development of the medical-related business segment, enlarge its market share in the specialty hospital segment. It will also help the Company to further penetrate into Beijing city and provide more diversified project portfolio of the Company.

The Directors (including the independent non-executive directors) are of the view that the transaction contemplated under the Management Agreement and the Lease Agreement were negotiated on arm's length basis and entered into in the ordinary course of business of the Group and on normal commercial terms. The terms of the Management Agreement and the Lease Agreement, the transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

## **INFORMATION OF BEIJING YICHENG AND THE COMPANY**

Beijing Yicheng is a company established in the PRC and is principally engaged in corporate management consultancy, medical management consultancy and technical services consultancy. Beijing Yicheng is an indirect wholly-owned subsidiary of the Company. The Company, through its subsidiaries, is principally engaged in the provision of medical care, health care and geriatric care related services and products.

## **INFORMATION OF BEIJING LIANJIAO FACTORY AND BEIJING LIANJIAO HOSPITAL**

Beijing Lianjiao Factory is a company established in the PRC and is principally engaged in production and sale of coke and coal. As at the date of this announcement, Beijing Lianjiao Factory is indirect wholly owned by Beijing Holdings, which is a substantial shareholder of the Company.

Beijing Lianjiao Hospital is a non-profit degree one, class one hospital (非營利性一級甲等醫院), promoted by Beijing Lianjiao Factory. It is located at No. 398, Wang Si Ying, Wang Si Ying Xiang, Chaoyang District, Beijing (北京市朝陽區王四營鄉王四營398號) and is principally engaged in providing clinical, wards and medical examination services. The launch fund is RMB4,000,000. It currently holds the Non-profit Medical Institution Practice Licence (非營利性醫療機構執業許可證) and Beijing Pension Service Practice Licence (北京市養老服務機構執業許可證).

## **LISTING RULE IMPLICATIONS**

As at the date of this announcement, Beijing Holdings, through its non-wholly owned subsidiary, holds approximately 15.10% interest in the Company and is a substantial shareholder of the Company. Beijing Lianjiao Factory is an indirect wholly-owned subsidiary of Beijing Holdings, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Management Agreement and the Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) for the Management Agreement and the Lease Agreement are in aggregate more than 0.1% but less than 5%, the Management Agreement and the Lease Agreement are subject to the reporting and announcement requirements, but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors have any material interest in, or are otherwise required to abstain from voting on the board resolution to approve, the transactions contemplated under the Management Agreement and the Lease Agreement.

## **DEFINITIONS**

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

“Beijing Holdings”	Beijing Enterprises Group Company Limited, a company established in the PRC with limited liability
“Beijing Lianjiao Factory”	Beijing Lianjiao Chemistry Facotry* (北京煉焦化學廠), a company established in the PRC with limited liability
“Beijing Lianjiao Hospital”	Beijing Lianjiao Chemistry Factory Hospital* (北京煉焦化學廠醫院), a non-profit hospital promoted by Beijing Lianjiao Factory
“Beijing Yicheng”	Beijing Yicheng Enterprise Management Company Limited* (北京毅成企業管理有限公司), a company established in the PRC with limited liability
“Board”	the board of Directors
“Business Day”	means a day which banks in Hong Kong and PRC are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or PRC
“Company”	Beijing Enterprises Medical and Health Industry Group Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange (stock code: 2389)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the securities and futures ordinance (Cap. 571 Law of Hong Kong), being the independent financial adviser appointed for the purpose of Rule 14A.52 of the Listing Rules
“Lease Agreement”	the lease agreement entered into between Beijing Lianjiao Factory as lessor and Beijing Yicheng as lessee dated 16 May 2016 in relation to the lease of the Properties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the management agreement entered into between Beijing Yicheng, Beijing Lianjiao Factory and Beijing Lianjiao Hospital dated 16 May 2016 in relation to the provision of the management services by Beijing Yicheng to Beijing Lianjiao Hospital
“PRC”	The People’s Republic of China
“Properties”	the buildings and ancillary facilities with a total gross floor area of approximately 11,087 square metres located at Yanwo Village, Chaoyang District, Beijing* (北京市朝陽區燕窩村) (which is formerly known as Beijing Lianjiao Chemistry Factory Pot Station* (北京煉焦化學廠罐站)) and the underlying parcel of land with site areas of approximately 15,087 square metres
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company

“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board of  
**Beijing Enterprises Medical and Health  
Industry Group Limited**  
**Zhu Shi Xing**  
*Chairman*

Hong Kong, 16 May 2016

*As at the date of this announcement, the Board comprises seven Executive Directors, namely Mr. Zhu Shi Xing, Mr. Liu Xue Heng, Mr. Gu Shan Chao, Mr. Hu Xiao Yong, Mr. Hu Shiang Chi, Mr. Wang Zheng Chun and Mr. Zhang Jing Ming; one Non-Executive Director, namely Mr. Robert Winslow Koepf and four Independent Non-Executive Directors, namely Mr. Gary Zhao, Mr. Tse Man Kit, Keith, Mr. Wu Yong Xin and Mr. Zhang Yun Zhou.*

\* *For identification purposes only*