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)**

# DISCLOSEABLE AND EXEMPTED CONNECTED TRANSACTION DISPOSAL OF SUBSIDIARY

**THE DISPOSAL**

On 26 December 2019, the Purchaser, the Guarantors to the First Vendor and the First Vendor entered into the First Equity Transfer Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the First Vendor, an indirect wholly owned subsidiary of the Company, conditionally agreed to sell the First Sale Shares, representing 70% of the entire issued share capital of the Target Company for a consideration of RMB77,000,000 subject to the terms and conditions of the First Equity Transfer Agreement.

On the same date, the Purchaser, the Guarantors to the Second Vendor and the Second Vendor entered into the Second Equity Transfer Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Second Vendor, a substantial shareholder of the Target Company, conditionally agreed to sell the Second Sale Shares, representing 30% of the entire issued share capital of the Target Company for a consideration of RMB33,000,000 subject to the terms and conditions of the Second Equity Transfer Agreement.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will not be consolidated with the results of the Group.

**LISTING RULES IMPLICATIONS**

As all of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal is more than 5% but less than 25%, the entering into the Equity Transfer Agreements and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Further, as at the date of the Equity Transfer Agreements, the Second Vendor is a substantial shareholder of the Target Company, being a non-wholly owned subsidiary of the Company, and hence a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) the Second Vendor is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the Disposal is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

## THE DISPOSAL

On 26 December 2019, the Purchaser, the Guarantors to the First Vendor and the First Vendor entered into the First Equity Transfer Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the First Vendor, an indirect wholly owned subsidiary of the Company, conditionally agreed to sell the First Sale Shares, representing 70% of the entire issued share capital of the Target Company for a consideration of RMB77,000,000 subject to the terms and conditions of the First Equity Transfer Agreement.

On the same date, the Purchaser, the Guarantors to the Second Vendor and the Second Vendor entered into the Second Equity Transfer Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Second Vendor, a substantial shareholder of the Target Company, conditionally agreed to sell the Second Sale Shares, representing 30% of the entire issued share capital of the Target Company for a consideration of RMB33,000,000 subject to the terms and conditions of the Second Equity Transfer Agreement.

## THE EQUITY TRANSFER AGREEMENTS

The principal terms of the Equity Transfer Agreements are set out below:

**Date**

26 December 2019

**Parties**

**(a) The First Equity Transfer Agreement**

(i) the Purchaser;

(ii) the First Vendor; and

(iii) Guarantors to the First Vendor.

**(b) The Second Equity Transfer Agreement**

(i) the Purchaser;

(ii) the Second Vendor; and

(iii) Guarantors to the Second Vendor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

**Assets and business to be disposed**

Pursuant to the Equity Transfer Agreements, the Purchaser conditionally agreed to purchase and (i) the First Vendor conditionally agreed to sell, the First Sale Shares, representing 70% of the entire issued share capital of the Target Company for a consideration of RMB77,000,000 and (ii) the Second Vendor conditionally agreed to sell the Second Sale Shares, representing 30% of the entire issued share capital of the Target Company for a consideration of RMB33,000,000, each subject to the terms and conditions of the respective Equity Transfer Agreement.

The Target Company is principally engaged in the provision of property leasing services in the PRC. As at the date of the Equity Transfer Agreements, the principal assets of the Target Company consists of the Property and its 55% equity interest in Boya Technology, a company which is principally engaged in sourcing tenants for the Property owned by the Target Company.

**Information about the Property**

The Property is a commercial complex known as Longdi Commercial Building located at No. 2 Zheng Fu Jie West Road, Changping District, Beijing, the PRC (中國北京昌平區政府街西路2號). The Property comprises a block of 6-storey (partially 2-storey) commercial building completed in two phases between 2002 and 2007. The Property has a total gross floor area of approximately 20,051 square metres. The land use rights of the Property have been granted for a term of 40 years expiring on 2 July 2041 for commercial use. The Property has lettable area of 18,289 square metres and was subject to various tenancies with the latest term expiring on 30 June 2035 at a total annual rent of approximately RMB15,290,000.

**Consideration**

***In relation to the disposal of the First Sale Shares***

The consideration for the First Sale Shares is RMB77,000,000 and shall be payable by the Purchaser to the First Vendor in the following manner:

(a) RMB42,000,000, being the first payment, shall be payable within ten (10) business days upon execution of the First Equity Transfer Agreement given all of the Conditions Precedent have been fulfilled;

(b) RMB28,000,000, being the second payment, shall be payable within ten (10) business days following the new business license of the Target Company and the filing receipt issued by the relevant authority in the PRC having been obtained; and

(c) RMB7,000,000, being the remaining payment, shall be payable within ninety (90) business days following the new business license of the Target Company and the filing receipt issued by the relevant authority in the PRC having been obtained.

***In relation to the disposal of the Second Sale Shares***

The consideration for the Second Sale Shares is RMB33,000,000 and shall be payable by the Purchaser to the Second Vendor in the following manner:

(a) RMB18,000,000, being the first payment, shall be payable within ten (10) business days upon execution of the Second Equity Transfer Agreement given all of the Conditions Precedent have been fulfilled;

(b) RMB12,000,000, being the second payment, shall be payable within ten (10) business days following the new business license of the Target Company and the filing receipt issued by the relevant authority in the PRC having been obtained; and

(c) RMB3,000,000, being the remaining payment, shall be payable within ninety (90) business days following the new business license of the Target Company and the filing receipt issued by the relevant authority in the PRC having been obtained.

***Shareholder Agreement***

On 25 March 2019, the First Vendor and the Second Vendor entered into the Shareholder Agreement, pursuant to which the First Vendor and the Second Vendor agreed that each of them has the right to source for potential buyer in relation to the Target Company for and on behalf of the other party, and in the event of any potential disposal of the Target Company being identified by either the First Vendor or the Second Vendor, each of them shall ensure that the disposal of the First Sale Shares and the Second Sale Shares will be disposed as a whole. Pursuant to the Shareholder Agreement and in order to ensure that the Target Company will be disposed at a reasonable price agreeable to both the First Vendor and the Second Vendor, it was then agreed that:

(a) if the Disposal would be materialized as a result of solicitation by the First Vendor, the First Vendor shall ensure that the consideration for the Second Sale Shares shall not be less than RMB45,000,000; and

(b) if the Disposal would be materialized as a result of solicitation by the Second Vendor, the Second Vendor shall ensure that the consideration for the First Sale Shares shall not be less than RMB57,802,000.

As the Disposal as contemplated under the Equity Transfer Agreement was entered into with the Purchaser, who was solicited by the First Vendor, an amount of approximately RMB12,000,000 shall be payable by the First Vendor to the Second Vendor pursuant to the Shareholder Agreement.

***Basis of consideration for the Disposal***

The consideration for the Disposal was determined upon arm's length negotiations between the parties to the Equity Transfer Agreements with reference to, among others, (i) the mutual agreed valuation of the Property of RMB290,000,000; and (ii) the balance of the liabilities of the Target Company of approximately RMB180,000,000 as at 31 October 2019, which mainly consist of (a) the balance of the Intragroup Loan of approximately RMB109,784,000; (b) the Bank Loan of approximately RMB12,000,000; and (c) the unpaid construction cost of approximately RMB55,744,000.

Taking into consideration that the offer by the Purchaser is the highest offer received by the First Vendor and the Second Vendor since the entering of the Shareholder Agreement and that the illiquidity of investment property within the area where the Property is located, the Directors are of the view that the consideration of the Disposal (together with the amount payable to the Second Vendor as contemplated under the Shareholder Agreement) are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

**Settlement of the Debts**

Pursuant to the Equity Transfer Agreements, the Purchaser, the Target Company and the Vendors shall setup co-managed bank accounts in the name of the Target Company for the settlement of the Debts.

The Target Company shall settle the Debts within five (5) business days upon Completion and after satisfaction of the relevant conditions under the Equity Transfer Agreements.

Each of the Vendors has also warranted and represented to the Purchaser under the respective Equity Transfer Agreement that the liabilities of the Target Company will be no more than RMB180,000,000 upon Completion.

**Conditions Precedent**

Completion is conditional upon the fulfilment of a number of conditions, including but not limited to the following:

(a) the Vendors, the Guarantors and the Target Company having obtained all the necessary approvals and consents for the transactions contemplated under the Equity Transfer Agreements;

(b) the necessary consents and approvals having been obtained from the Stock Exchange as required under the Listing Rules;

(c) the execution of the First Equity Transfer Agreement (in the case for the disposal of the Second Sale Shares) and the execution of the Second Equity Transfer Agreement (in the case for the disposal of the First Sale Shares);

(d) each of the Second Guarantor and the Lender having issued a debt confirmation in respect of the amount owed by the Target Company as of 23 December 2019; and

(e) the Vendors, the Target Company and the Guarantors having provided to the Purchaser or its professional advisers the operations and affairs, audited financial report of the Target Company and any other information in relation to the transactions contemplated under the Equity Transfer Agreements.

**Completion**

Pursuant to the Equity Transfer Agreements, Completion shall take place on a business day which falls within three (3) business days upon receipt of the new business license of the Target Company by the Purchaser, by then, the Vendors shall handover any other relevant documents of the Target Company to the Purchaser.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will not be consolidated with the results of the Group.

**INFORMATION OF THE COMPANY AND THE PARTIES TO THE EQUITY TRANSFER AGREEMENTS**

The Company is an investment holding company and the Group is principally engaged in provision of medical care, health care and geriatric care related services and products.

The First Vendor (or the Third Guarantor) is a wholly owned subsidiary of the Company incorporated under the laws of the PRC with limited liability and is principally engaged in investment holding.

The Second Vendor (or the Fourth Guarantor) is a substantial shareholder of the Target Company incorporated under the laws of the PRC with limited liability and is principally engaged in investment holding.

The First Guarantor is an indirect wholly-owned subsidiary of the Company incorporated under the laws of the PRC with limited liability and is principally engaged in investment holding.

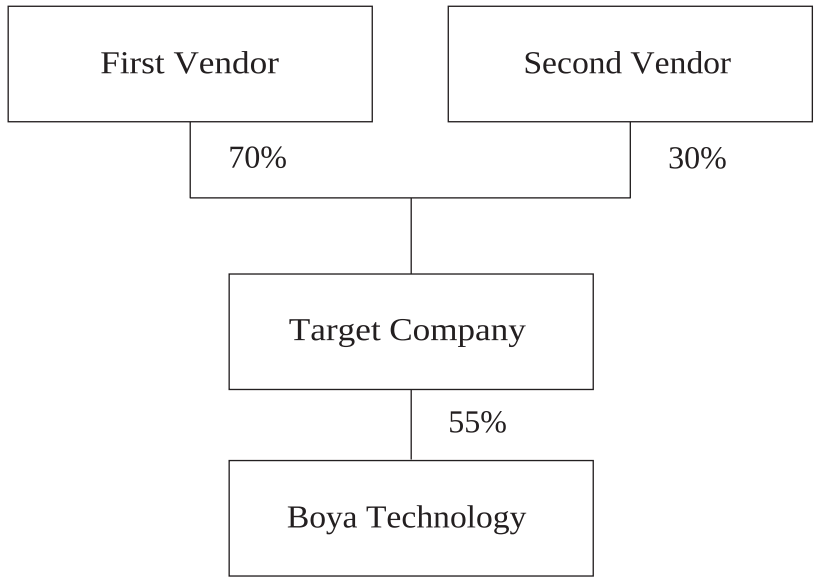
The Second Guarantor is a related company of the Second Vendor incorporated under the laws of the PRC with limited liability and is principally engaged in property development and construction project.

The Purchaser is a company incorporated under the laws of the PRC with limited liability and is principally engaged in property development, investments and leasing.

**INFORMATION OF THE TARGET GROUP**

The Target Company is a company incorporated under the laws of the PRC with limited liability and owned as to 70% by the First Vendor and 30% by the Second Vendor as at the date of the Equity Transfer Agreements. The Target Company is principally engaged in the provision of property leasing services in the PRC and owns the entire interest of the Property. The subsidiary of the Target Company, Boya Technology, is principally engaged in sourcing tenants for the Property owned by the Target Company.

The diagram below illustrates the shareholding structure of the Target Group prior to Completion:




**FINANCIAL INFORMATION OF THE TARGET GROUP**

Set out below is a summary of the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2018 and 31 December 2017, respectively:

| | **For the year ended 31 December 2018** | For the year ended 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Net profit/(loss) before taxation | **50,857** | (26,491) |
| Net profit/(loss) after taxation | **39,771** | (19,659) |
| Total assets | **327,585** | 252,931 |
| Net assets | **89,578** | 49,807 |

## REASONS FOR AND THE BENEFITS OF ENTERING INTO OF THE EQUITY TRANSFER AGREEMENTS

The Group is principally engaged in provision of medical care, health care and geriatric care related services and products.

The Group acquired the Target Company, including the Property, by way of allotment and issue of 138,300,000 Shares (at an issue price of HKD0.8 per share) in 2015 in the view of developing the Property for specialist hospital use. However, the progress of the transformation of the Property for medical use was prolonged due to the complexity of the government approval procedures. Upon further strategic review by the Company and as an alternative plan, the Group invested in a third-tier specialist hospital in Xuancheng City, Anhui Province with the Government of Xuanzhou District of Xuancheng City, Anhui Province, which is under decoration and staffing as at the date of this announcement. In addition, in order to protect the Shareholders' interest, the Group has leased out the Property for rental income however the rental yield (net of operating expenses) of approximately 4% is not satisfactory. Accordingly, the Company is of the view that it will be beneficial and in the interests of the Company to dispose of the Target Company. However, in light of the illiquidity of investment property in Changping District, the Group has taken an unexpected longer time to solicit potential buyers.

Taking into consideration of the aforesaid factors, the Directors consider that the Disposal represents an opportunity for the Company to realise the Property at a reasonable price and enable the Group to reallocate its resources into future investment opportunities and pursue other growth opportunities.

In view of the above, the Directors consider the terms of the transactions contemplated under the Equity Transfer Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## FINANCIAL EFFECT OF THE DISPOSAL

Based on (i) the consideration for the disposal of the First Sale Shares of RMB77,000,000; (ii) the amount of approximately RMB12,000,000 payable by the First Vendor to the Second Vendor pursuant to the Shareholder Agreement; (iii) the consolidated net assets of the Target Group as at 30 June 2019 to be disposed of by the Group of RMB91,356,000; (iv) the carrying amount of the non-controlling interests as at 30 June 2019 of RMB28,036,000; and (v) the amount of goodwill to be de-recognised as at 30 June 2019 of approximately RMB36,631,000, it is expected that the Group will record a loss of approximately RMB34,951,000 due to the disposal of the First Sale Shares.

Subject to audit, the actual amount of the loss from the disposal of the First Sale Shares to be recognized by the Group will depend on the net asset value of the Target Group as at Completion date and therefore may be different from the amount as set out above.

**USE OF PROCEEDS**

The Company intends to use the aggregated proceeds from the Disposal and the settlement of Intragroup Loan of approximately RMB174,784,000 for general working capital purpose.

**LISTING RULES IMPLICATIONS**

As all of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal is more than 5% but less than 25%, the entering into the Equity Transfer Agreements and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Further, as at the date of the Equity Transfer Agreements, the Second Vendor is a substantial shareholder of the Target Company, being a non-wholly owned subsidiary of the Company, and hence a connected person of the Company at a subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) the Second Vendor is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the Disposal is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings given to them as below:

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|---|---|
| "Bank Loan" | the bank loan owed by the Target Group to the bank, the outstanding balance as at 31 October 2019 being approximately RMB12,000,000 |
| "Board" | board of Directors |
| "Boya Technology" | Beijing Xiguan Boya Technology Service Company Limited* (北京西關博雅科技服務有限公司), a company incorporated in the PRC with limited liability and a 55% owned subsidiary of the Target Company |
| "business day" | a day other than a Saturday or a Sunday or public holiday in the PRC |
| "Company" | Beijing Enterprises Medical and Health Industry Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2389) |
| "Completion" | completion of the Disposal |
| "connected person(s)" | has the meaning ascribed to it in the Listing Rules |
| "Debts" | the Bank Loan, the Intragroup Loan and the unpaid construction cost |
| "Director(s)" | director(s) of the Company |
| "Disposal" | the disposal of the First Sale Shares and the Second Sale Shares by the Vendors to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreements |
| "Equity Transfer Agreement(s)" | the First Equity Transfer Agreement and the Second Equity Transfer Agreement |
| "First Equity Transfer Agreement" | the equity transfer agreement dated 26 December 2019 entered into between the Purchaser, the First Vendor and the Guarantors to the First Vendor in relation to the disposal of the First Sale Shares |

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|---|---|
| "First Guarantor" | Beijing Zhongcheng-Hulian Investment Consulting Limited* (北京眾成互聯投資諮詢有限公司), a company established in the PRC with limited liability and is an indirect wholly- owned subsidiary of the Company |
| "First Sale Shares" | 70% of the entire issued share capital of the Target Company held by the First Vendor as at the date of the First Equity Transfer Agreement |
| "First Vendor" or the "Third Guarantor" | Shenzhen Dragon Ground Information Development Company Limited* (深圳龍地祥信息發展有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| "Group" | the Company and its subsidiaries |
| "Guarantors" | Guarantors to the First Vendor and Guarantors to the Second Vendor |
| "Guarantors to the First Vendor" | the First Guarantor, the Second Guarantor and the Fourth Guarantor |
| "Guarantors to the Second Vendor" | the First Guarantor, the Second Guarantor and the Third Guarantor |
| "HKD" | Hong Kong dollar, the lawful currency of the Hong Kong Special Administrative Region of the PRC |
| "Independent Third Party(ies)" | the independent third party(ies) who is/are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and its connected person(s) (as defined in the Listing Rules) |
| "Intragroup Loan" | the intergroup loan provided by the Lender to the Target Group from time to time, the outstanding balance as at 31 October 2019 being approximately RMB109,784,000 |
| "Lender" | Shanghai Chongyuan Investment Management Company Limited* (上海翀遠投資管理有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of the Equity Transfer Agreements |

| | |
|---|---|
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "PRC" | the People's Republic of China |
| "Property" | a commercial complex known as Longdi Commercial Building located at No. 2 Zheng Fu Jie West Road, Changping District, Beijing, the PRC (中國北京昌平區政府街西路2號) |
| "Purchaser" | Beijing Haidian District Huiyuan Agriculture Industry and Commerce Company Limited* (北京市海澱區匯苑農工商公司 ), a company incorporated under the laws of PRC with limited liability |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Sale Shares" | the First Sale Shares and the Second Sale Shares |
| "Second Equity Transfer Agreement" | the equity transfer agreement dated 26 December 2019 entered into between the Purchaser, the Second Vendor and the Guarantors to the Second Vendor in relation to the disposal of the Second Sale Shares |
| "Second Guarantor" | Guorun Construction Group Co., Ltd.* (國潤建設集團有限公司), a company incorporated in the PRC with limited liability and a related company of the Second Vendor |
| "Second Sale Shares" | 30% of the entire issued share capital of the Target Company held by the Second Vendor as at the date of the Second Equity Transfer Agreement |
| "Second Vendor" or the "Fourth Guarantor" | Shenzhen Xinrunxiang Information Development Co., Ltd.* (深圳新潤祥信息發展有限公司), a company incorporated in the PRC with limited liability and the substantial shareholder of the Target Company |
| "Share(s)" | ordinary share(s) in the share capital of the Company |
| "Shareholder(s)" | holder(s) of the Shares |
| "Shareholder Agreement" | an agreement entered into between the First Vendor and the Second Vendor on 25 March 2019 |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

| | |
|---|---|
| "Target Company" | Beijing Dragon Ground Arts & Crafts Limited* (北京龍地工藝美術品有限責任公司), a company incorporated in the PRC with limited liability and owned as to 70% by the First Vendor and 30% by the Second Vendor as at the date of the Equity Transfer Agreements |
| "Target Group" | the Target Company together with its subsidiaries |
| "Vendors" | the First Vendor and the Second Vendor |
| "%" | per cent |

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

Hong Kong, 27 December 2019

*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. Siu Kin Wai, Mr. Hu Shiang Chi, Mr. Wang Zheng Chun and Mr. Zhang Jing Ming and five independent non-executive Directors, namely Mr. Robert Winslow Koepp, Mr. Gary Zhao, Mr. Tse Man Kit, Keith, Mr. Wu Yong Xin and Mr. Zhang Yun Zhou.*

* *For identification purpose only*