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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 TRANSACTION IN RELATION TO THE EQUITY TRANSFER AND CAPITAL INCREASE IN THE TARGET COMPANY

THE TRANSACTION

On 26 September 2018, Shanghai Xiangyong entered into the Agreement with CLH, pursuant to which, (1) Shanghai Xiangyong agreed to transfer 80% of the equity interest in the Target Company, at an initial consideration of RMB384 million in cash subject to adjustment; and (2) the parties agreed to increase the registered capital of the Target Company from RMB70 million to RMB140 million, out of which Shanghai Xiangyong agreed to contribute RMB14 million and CLH agreed to contribute RMB56 million.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios of the Transaction exceeds 5% and all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

THE TRANSACTION

(1) The Agreement

The principal terms of the Agreement are set out below:

Date: 26 September 2018

Parties:

- (i) Shanghai Xiangyong Enterprise Management Consulting Co., Ltd.* (上海祥永企業管理諮詢有限公司), as transferor; and
- (ii) CLH 115 (HK) Limited, as transferee.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Transferee and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter:

The Transferor conditionally agreed to transfer and the Transferee conditionally agreed to acquire 80% of the equity interest in the Target Company. The parties further agreed to increase the registered capital of the Target Company from RMB70 million to RMB140 million, out of which the Transferor agreed to contribute RMB14 million and the Transferee agreed to contribute RMB56 million.

Consideration for Equity Transfer

Consideration

Subject to adjustment, the consideration is RMB384,000,000.

The Consideration was determined between the Transferor and the Transferee after arm's length negotiations with reference to, among other things, the preliminary indicative fair value of approximately between RMB450 million to RMB480 million of the Properties held by the Target Company as at 31 August 2018, as evaluated by an independent valuer engaged by the Company.

Consideration Adjustment

Within three (3) business days of the Registration Date, the Transferor shall furnish the Transferee with the balance sheet of the Target Company as at the Registration Date (the “**Balance Sheet**”).

The Consideration will be adjusted in accordance with the Balance Sheet as follows:

- (a) if the cash assets are lower than the liability, the Consideration will be reduced by an amount equivalent to 80% of the difference between the cash assets and the liability; or
- (b) if the cash assets are higher than the liability, the Consideration will be increased by an amount equivalent to 80% of the difference between the cash assets and the liability.

Based on the financial position of the Target Company as at 26 September 2018, it is estimated that the Consideration will be adjusted downward by RMB145,150,000, which represents 80% of the outstanding bank loan, the loan due to the Lender in the principal amount of RMB21,014,000, unsettled construction costs and other immaterial liabilities and has the adjusted consideration to be approximately RMB238,850,000 (the “**Adjusted Consideration**”).

Payment of the Consideration

The Consideration shall be payable in cash by the Transferee to the Transferor in the following manner:

- (a) an amount of 90% of the Consideration (the “**First Payment**”) will be payable within five (5) business days on the verification of satisfaction of the first payment conditions precedent; and
- (b) the remaining 10% of the Consideration (the “**Second Payment**”) will be payable within five (5) business days on the verification of satisfaction of the second payment conditions precedent.

Conditions Precedent and Verification

First Payment conditions precedent

The First Payment is conditional upon satisfaction or waiver of the following conditions:

- (a) the conditions precedent relating to the amendment of business registration with the relevant PRC administration and commerce bureau have been satisfied, including:
 - (i) obtaining the written approval of the equity transfer issued by Shanghai Pujiang Industrial Zone Investment and Development Limited* (上海浦江工業園區投資發展有限公司);
 - (ii) obtaining the guarantee letter executed by the Company pursuant to which the Company is jointly and severally liable for the violation of the representation made by the Transferor;
 - (iii) obtaining confirmation letters issued by previous shareholders of the Target Company confirming that there is no unpaid amount and dispute in relation to the previous equity transfer of the Target Company;
 - (iv) obtaining the confirmation letter issued by BE Fortune pursuant to which it has agreed to provide free office premises for the Target Company use up to 31 August 2018;
 - (v) obtaining the written approval of the equity transfer issued by the Target Company's financing bank;
 - (vi) obtaining the confirmation letter issued by the Lender pursuant to which it agrees to continue to provide the Loan on an interest-free basis for such a period as determined in the Loan Agreement;
 - (vii) the Target Company having completed the disposal and/or transfer of certain assets listed in the Agreement;
 - (viii) the termination of agency agreements with certain independent third parties;

- (ix) final construction payments of the Properties having been made or determined and the rectification of construction of the Properties having been completed; and
- (x) discharging certain employees of the Target Company in accordance with relevant PRC laws having been completed;
- (b) the board of directors and the shareholder(s) of the Target Company having approved the Agreement, the Joint Venture Agreement and the new articles of association of the Target Company;
- (c) the new business license and the filing receipt issued by the relevant administrative departments of commerce of the Target Company having been obtained;
- (d) the legal representative, directors, the supervisor and general managers appointed or nominated by the Transferor having signed letters of resignation;
- (e) the information of the legal representative, directors, the supervisor and general managers appointed or nominated by the Transferee having been registered or filed with the relevant PRC government authorities;
- (f) the Transferor having provided the bank account information in relation to receiving the Consideration;
- (g) the Transferor and the Transferee having agreed on the adjustment to the Consideration;
- (h) the business, assets and financial conditions of the Target Company having not been materially changed since the date of the Agreement; and
- (i) the Transferor having not been in violation of the Agreement.

Second Payment conditions precedent

The Second Payment is conditional upon satisfaction or waiver of the following conditions:

- (a) the Transferor having contributed RMB14 million as the increased capital;
- (b) the transfer of the documents, materials and assets of the Target Company having been completed in accordance with the Agreement; and
- (c) the Transferor having not been in violation of the Agreement.

Verification

The Transferor shall notify the Transferee within three (3) business days upon the satisfaction of the afore-said conditions precedent and furnish the Transferee with written supporting documents. The Transferee is entitled to conduct the verification of the satisfaction of the conditions precedent.

Provision of Financial Assistance

As at 26 September 2018, the Lender provided a loan of RMB21,014,000 to the Target Company. As part of the transaction, the Lender and the Target Company shall enter into the Loan Agreement, pursuant to which the Lender shall agree to continue to provide the Loan on an interest-free basis for such a period as determined in the Loan Agreement.

Capital Increase

As at the date of this announcement, the registered capital of the Target Company was RMB70 million and was fully paid-up by the Transferor. As part of the transaction, each of the Transferor and the Transferee agreed to make cash contribution of RMB14 million and RMB56 million respectively into the registered capital of the Target Company, which will increase the registered capital of the Target Company to RMB140 million. The increased capital of RMB70 million to be made by the Transferor and the Transferee will be applied by the Target Company as general working capital.

The Transferor will finance its portion of the capital increase from its internal resources.

Completion

Subject to the fulfillment (or as the case may be, waiver) of all the conditions precedent, Completion shall occur on the receipt of the First Payment of the Consideration by the Transferor.

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Transferor. Upon the Completion, the Target Company will be owned by the Transferor as to 20% and the Transferee as to 80%. As such, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Group's financial statements. The Target Company will be accounted as an associate of the Company.

(2) The Joint Venture Agreement

In connection with the Equity Transfer, the Transferor and the Transferee entered into the Joint Venture Agreement, the principal terms of which are set out below:

Date: 26 September 2018

Parties: (i) the Transferor and (ii) the Transferee

Capital commitment and funding

The Target Company shall have a registered capital of RMB140 million upon the Completion, which shall be fully paid-up by the Transferor and the Transferee.

Management of the Target Company

The new board of directors of the Target Company shall be established upon the Registration Date, which shall consist of three (3) directors. The Transferee is entitled to appoint two (2) directors, one of whom will become the chairman of the board of directors and hold the position of the legal representative of the Target Company. The Transferor is entitled to appoint one (1) director.

Supervisor

The Target Company shall have one (1) supervisor, which shall be appointed by the Transferee.

Profit and loss sharing

Subject to the Joint Venture Agreement, the parties shall share the profits/losses and bear the risk in proportion to their equity interest in the Target Company.

Restrictions on transfer

A party's transfer of equity interest to a third party in the Target Company shall be subject to the right of first refusal of the other party to the Joint Venture Agreement, except that the other party agrees or waives its right of first refusal to such transfer.

INFORMATION OF THE TARGET COMPANY

The Target Company was established in the PRC on 30 November 2006. As at the date of this announcement, it is indirectly wholly-owned by the Company through the Transferor. The only significant asset of the Target Company is the Properties where the construction was completed recently. As at the date of this announcement, the Target Company has not commenced any business in relation to the Properties.

Set out below is a summary of the unaudited financial information of the Target Company for the two years ended 31 December 2016 and 31 December 2017, respectively, prepared under the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2016 RMB'000	For the year ended 31 December 2017 RMB'000
Net loss before and after taxation	2,842	5,289
Total Assets	216,568	263,849
Net Assets	128,753	123,464

The unaudited net asset value of the Target Company as at 30 June 2018 was approximately RMB119,776,000.

After taking into account the Consideration, the unaudited net asset value of the Target Company as at 31 August 2018 and the related transaction costs, it is estimated that a pre-tax gain (unaudited) of approximately RMB125,190,000 will be recorded by the Group with respect to the Equity Transfer. The actual gain or loss as a result of the Equity Transfer to be recorded by the Group is subject to final audit to be performed by the Company's auditors.

INFORMATION OF THE TRANSFEREE

The Transferee is a company incorporated in Hong Kong with limited liability and is an investment holding company.

INFORMATION OF THE GROUP AND THE TRANSFEROR

The Company was incorporated in Cayman Islands with limited liability and is listed on the Main Board of the Stock Exchange. It is an investment holding company with subsidiaries principally engaged in the provision of medical care, health care and geriatric care related services and products businesses in the PRC.

The Transferor is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company and is an investment holding company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors undertake strategic review of the Group's assets from time to time with a view to maximizing returns to the Company's shareholders. The Properties are positioned as boutique innovation and technology ecological park, which include four independent office buildings and two innovation and technology R&D buildings. The participation of the Transferee will drive the efficient operation of the Properties, introduce high-end corporate tenants, strengthen the Properties' profitability and local taxation, and further raise the value of the Properties to achieve an "all-win" situation for the Company's shareholders, tenants and the government.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement and the Joint Venture Agreement have been negotiated on an arm's length basis and on normal commercial terms, in the ordinary course of business, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors have a material interest in the Agreement and the Joint Venture Agreement and the transactions contemplated thereunder and therefore no Director has abstained from voting on the relevant Board resolution approving the Agreement and the Joint Venture Agreement.

USE OF PROCEEDS

The Directors expect that the net proceeds from the Equity Transfer, after deducting the expenses and taxes directly attributable thereto, and the settlement of the Loan will be approximately RMB208 million, which will be used for further development of the health management business of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios of the Transaction exceeds 5% and all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

DEFINITIONS

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

“Agreement”	an equity transfer and capital increase agreement dated 26 September 2018 entered into between Shanghai Xiangyong and CLH in relation to the Transaction
“BE Fortune”	BE Fortune (Shanghai) Investment Management Limited* (北控金富(上海)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
“Board”	the board of Directors
“Capital Increase”	the increase in the registered capital of the Target Company to RMB140,000,000
“CLH”	CLH 115 (HK) Limited, a company incorporated in Hong Kong with limited liability
“Company”	Beijing Enterprises Medical and Health Industry Group Limited 北控醫療健康產業集團有限公司, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2389)
“Completion ”	completion of the Equity Transfer
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the initial consideration of RMB384,000,000 subject to the adjustment for the Equity Transfer

“Director(s)”	the director(s) of the Company
“Equity Transfer”	the proposed transfer of 80% equity interest of the Target Company by Shanghai Xiangyong to CLH pursuant to the Agreement
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	a joint venture agreement dated 26 September 2018 entered into between Shanghai Xiangyong and CLH in relation to the operation of the Target Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	a loan from time to time provided by the Lender to the Target Company on the date upon which the First Payment conditions precedent are fulfilled
“Loan Agreement”	a loan agreement to be entered into between the Target Company and the Lender in respect of the Loan on the date upon which the First Payment conditions precedent are fulfilled
“Lender”	Shanghai Chongyuan Investment Management Company Limited* (上海翀遠投資管理有限公司), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	six block of buildings located at No. 328, Wankang Road, Shanghai, PRC* (中國上海萬康路328號) with a total gross floor area of approximately 43,095.72 sq m

“Registration Date”	the date of issuing the new business license of the Target Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Junbo Textile Co., Ltd.* (上海駿帛紡織品有限公司), a company incorporated in the PRC on 30 November 2006 with limited liability and a direct wholly-owned subsidiary of Shanghai Xiangyong
“Transaction”	the transaction in relation to the Equity Transfer and the Capital Increase
“Shanghai Xiangyong”	Shanghai Xiangyong Enterprise Management Consulting Co., Ltd.* (上海祥永企業管理諮詢有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 26 September 2018

As at the date of this announcement, the Board comprises ten 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, Mr. Zhang Jing Ming, Mr. Hu Yebi, Mr. Qian Xu and Mr. Siu Kin Wai; and five independent non-executive directors, namely, Mr. Robert Winslow Koepf, Mr. Gary Zhao, Mr. Tse Man Kit, Keith, Mr. Wu Yong Xin and Mr. Zhang Yun Zhou.

* For identification purpose only.