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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

	Year ended December 31,	
	2019	2018
	(RMB'000)	*(RMB'000)*
Revenue	**2,115,320**	2,059,478
Profit for the year:	**400,634**	439,556
— Profit for the year attributable to owners of the parent	**390,865**	430,898
Earnings per share attributable to ordinary equity holders of the parent		
— basic *(RMB yuan)*	**0.31**	0.34
— diluted *(RMB yuan)*	**0.31**	0.34
Proposed final dividend per share *(HK cents per share)*	**10 cents**	12 cents

The board of directors (the "**Board**") of China Resources Medical Holdings Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2019

	Notes	2019	2018
		RMB'000	*RMB'000*
REVENUE	4	**2,115,320**	2,059,478
Cost of sales		**(1,353,029)**	(1,302,800)
Gross profit		**762,291**	756,678
Other income	5	**75,270**	72,910
Other gains and losses, net	6	**(26,562)**	(11,176)
Selling and distribution expenses		**(16,135)**	(19,888)
Administrative expenses		**(237,434)**	(203,542)
Finance costs	8	**(16,942)**	(7,701)
Impairment losses on financial assets, net		**(1,577)**	(65)
Other expenses		**(2,258)**	(420)
Share of profits and losses of:			
A joint venture		**4,502**	2,093
Associates		**144**	54
PROFIT BEFORE TAX	7	**541,299**	588,943
Income tax expense	9	**(140,665)**	(149,387)
PROFIT FOR THE YEAR		**400,634**	439,556
Attributable to:			
Owners of the parent		**390,865**	430,898
Non-controlling interests		**9,769**	8,658
		400,634	439,556
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic *(RMB yuan)*		**0.31**	0.34
Diluted *(RMB yuan)*		**0.31**	0.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2019

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**400,634**	439,556
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of an associate	**—**	1,108
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement losses on defined benefit plan	**(1,658)**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(1,658)**	1,108
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**398,976**	440,664
Attributable to:		
Owners of the parent	**389,539**	432,006
Non-controlling interests	**9,437**	8,658
	398,976	440,664

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**181,375**	259,363
Right-of-use assets	12(b)	**156,050**	—
Prepaid land lease payments	12(a)	**—**	136,970
Goodwill		**1,463,611**	1,463,611
Other intangible assets		**2,035,762**	2,095,640
Investment in a joint venture		**513,028**	508,526
Investments in associates		**151**	23,741
Receivables from invest-operate-transfer ("**IOT**") hospitals		**80,979**	108,974
Loan to a sponsored hospital		**55,062**	52,687
Financial assets at fair value through profit or loss ("**FVTPL**")		**113,485**	136,744
Other non-current assets		**76,269**	—
Total non-current assets		**4,675,772**	4,786,256
CURRENT ASSETS			
Inventories		**62,121**	77,885
Trade receivables	13	**618,698**	498,506
Contract assets		**12,120**	9,464
Prepayments, deposits and other receivables	14	**219,783**	44,294
Due from related parties		**9,384**	6,039
Financial assets at FVTPL		**244,769**	315,000
Certificate of deposit		**25,114**	57,863
Cash and cash equivalents		**2,006,220**	1,524,176
Total current assets		**3,198,209**	2,533,227

	Notes	**2019** *RMB'000*	2018 *RMB'000*
CURRENT LIABILITIES			
Trade payables	15	**241,303**	224,082
Other payables and accruals	16	**247,454**	220,170
Contract liabilities		**4,666**	12,754
Due to related parties		**4,843**	3,247
Payables to hospitals sponsored by the Group (the "**Sponsored Hospitals**")		**255,571**	254,876
Interest-bearing bank borrowings		**578,337**	490,672
Lease liabilities	12(c)	**5,286**	—
Tax payable		**46,795**	71,472
Total current liabilities		**1,384,255**	1,277,273
NET CURRENT ASSETS		**1,813,954**	1,255,954
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,489,726**	6,042,210
NON-CURRENT LIABILITIES			
Lease liabilities	12(c)	**13,597**	—
Retirement benefit obligations		**18,120**	16,017
Deferred tax liabilities		**317,834**	316,374
Total non-current liabilities		**349,551**	332,391
Net assets		**6,140,175**	5,709,819
EQUITY			
Equity attributable to owners of the parent			
Share capital		**267**	267
Reserves		**5,903,433**	5,589,231
		5,903,700	5,589,498
Non-controlling interests		**236,475**	120,321
Total equity		**6,140,175**	5,709,819

NOTES

December 31, 2019

1. CORPORATE INFORMATION

China Resources Medical Holdings Company Limited is a limited liability company incorporated in the Cayman Islands. The address of the registered office of the Company is 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman KY1-1002, Cayman Islands. The principal place of business of the Company in Mainland China is located at 14/F, Kunlun Center Office Building No. 5, Courtyard No. 9, Fuyi Street, Fengtai District, Beijing, the People's Republic of China (the "**PRC**").

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were mainly engaged in the provision of general healthcare services, hospital management services, group purchasing organisation ("**GPO**") business and other hospital-derived services in Mainland China.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at FVTPL which have been measured at fair value. The financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and *Annual Improvements to IFRSs 2015–2017 Cycle,* which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of January 1, 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at January 1, 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for office properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from January 1, 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before January 1, 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at January 1, 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/ terminate the lease

Financial impact at January 1, 2019

The impact arising from the adoption of IFRS 16 as at January 1, 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	140,483
Decrease in prepaid land lease payments	(140,345)
Increase in total assets	138
Liabilities	
Increase in lease liabilities and increase in total liabilities	138

The lease liabilities as at January 1, 2019 reconciled to the operating lease commitments as at December 31, 2018 are as follows:

	RMB'000
Operating lease commitments as at December 31, 2018	**5,478**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before December 31, 2019	(3,195)
Commitments relating to leases of low-value assets	(2,136)
	147
Weighted average incremental borrowing rate as at January 1, 2019	4.75%
Discounted operating lease commitments and lease liabilities as at January 1, 2019	**138**

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

(d) Amendments to IAS 19 address the accounting for a defined benefit plan when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (i) determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event, and (ii) determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset, reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability or asset.

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognised in other comprehensive income. The amendments did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after January 1, 2020
2 Effective for annual periods beginning on or after January 1, 2021
3 Effective for annual periods beginning on or after January 1, 2022
4 No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

(a) For-profit hospitals — this segment engages in the provision of out-patient and in-patient services;

(b) Sponsored hospitals — this segment engages in the provision of services to sponsored hospitals;

(c) IOT/operate-transfer ("**OT**") hospitals — this segment engages in the provision of services to IOT hospitals and an OT hospital; and

(d) Others — this segment engages in the provision of services to other kinds of clients.

Management monitors the results of the Group's operating segments separately for the purpose of facilitating decision-making process of resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measurement of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that share of profits and losses of a joint venture and associates, fair value gains/losses on financial assets at FVTPL, dividend income on financial assets at FVTPL, gain on disposal of a subsidiary, loss on liquidation of an associate, investment income on financial assets at FVTPL, unallocated interest and investment income, impairment losses on financial assets, net, equity-settled share-based payment expense, finance costs, foreign exchange differences, net, as well as other unallocated income, other unallocated administrative expenses, other unallocated expenses and losses are excluded from such measurement.

Segment assets exclude goodwill, interests in associates, financial assets at FVTPL, bank balances and certificate of deposit and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the year ended December 31, 2019, the Group changed the internal reporting structure for making decisions about resource allocation and performance assessment. Accordingly, the amounts previously reported under the reportable operating segments have been reorganised to conform with the current year's presentation.

The following is an analysis of the Group's revenue and results by reportable and operating segments.

Segment revenue and results

	For-profit hospitals *RMB'000*	Sponsored hospitals *RMB'000*	IOT/OT hospitals *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended December 31, 2019					
External revenues					
General healthcare services	721,055	—	—	—	721,055
Hospital management services	—	134,029	98,600	—	232,629
Third-party supply chain service fees	23,077	100,164	91,610	—	214,851
GPO business	—	191,919	716,891	—	908,810
Other hospital-derived services	—	—	—	37,975	37,975
Inter-segment revenue					
GPO business	199,867	—	—	—	199,867
Other hospital-derived services	475	—	—	661	1,136
Segment revenue	944,474	426,112	907,101	38,636	2,316,323
Eliminations	(200,342)	—	—	(661)	(201,003)
Consolidated revenue	744,132	426,112	907,101	37,975	2,115,320
Segment cost	(551,995)	(173,902)	(607,856)	(19,276)	(1,353,029)
Other income	1,655	—	10,206	4,584	16,445
Other losses	(790)	—	—	—	(790)
Selling and distribution expenses	(2,412)	(4,389)	(8,924)	(25)	(15,750)
Administrative expenses	(65,043)	(6,715)	(20,298)	(7,059)	(99,115)
Other expenses	(836)	—	—	(1,125)	(1,961)
Segment results	124,711	241,106	280,229	15,074	661,120
Share of profit of a joint venture					4,502
Share of profits of associates					144
Fair value losses on financial assets at FVTPL					(13,491)
Dividend income on financial asset at FVTPL					525
Loss on liquidation of an associate					(118)
Investment income on financial assets at FVTPL					44,279
Unallocated interest and investment income					10,499
Impairment losses on financial assets, net					(1,577)
Equity-settled share-based payment expense					(13,083)
Finance costs					(16,942)
Foreign exchange differences, net					(12,158)
Other unallocated income					3,522
Other unallocated losses					(5)
Other unallocated administrative expenses					(125,621)
Other unallocated expenses					(297)
Profit before tax					541,299

	For-profit hospitals *RMB'000*	Sponsored hospitals *RMB'000*	IOT/OT hospitals *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended December 31, 2018					
External revenues					
General healthcare services	712,607	—	—	—	712,607
Hospital management services	—	101,475	98,926	—	200,401
Third-party supply chain service fees	25,081	117,618	109,268	—	251,967
GPO business	—	81,403	782,571	—	863,974
Other hospital-derived services	—	—	—	30,529	30,529
Inter-segment revenue					
GPO business	194,846	—	—	—	194,846
Other hospital-derived services	725	—	—	334	1,059
Segment revenue	933,259	300,496	990,765	30,863	2,255,383
Eliminations	(195,571)	—	—	(334)	(195,905)
Consolidated revenue	737,688	300,496	990,765	30,529	2,059,478
Segment cost	(553,608)	(76,644)	(652,189)	(20,359)	(1,302,800)
Other income	1,916	—	13,747	—	15,663
Other losses	(1,472)	—	—	—	(1,472)
Selling and distribution expenses	(3,407)	(2,314)	(14,088)	(79)	(19,888)
Administrative expenses	(74,136)	(7,395)	(19,495)	(2,954)	(103,980)
Other expenses	(103)	—	—	(136)	(239)
Segment results	106,878	214,143	318,740	7,001	646,762
Share of profit of a joint venture					2,093
Share of profits of associates					54
Fair value gains on financial assets at FVTPL					4,992
Dividend income on financial asset at FVTPL					2,319
Gain on disposal of a subsidiary					2,355
Unallocated interest and investment income					52,676
Impairment losses on financial assets, net					(65)
Equity-settled share-based payment expense					5,314
Finance costs					(7,701)
Foreign exchange differences, net					(16,963)
Other unallocated income					2,252
Other unallocated losses					(88)
Other unallocated administrative expenses					(104,876)
Other unallocated expenses					(181)
Profit before tax					588,943

4. REVENUE

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**2,115,320**	2,059,478

Revenue from contracts with customers

Disaggregated revenue information

For the year ended December 31, 2019

Segments	General healthcare services *RMB'000*	Hospital management services *RMB'000*	GPO business *RMB'000*	Other hospital-derived services *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Type of goods or services						
General healthcare services						
In-patient	297,784	—	—	—	—	297,784
Out-patient	423,271	—	—	—	—	423,271
	721,055	—	—	—	—	721,055
Hospital management services						
From IOT hospitals	—	92,940	—	—	—	92,940
From Sponsored Hospitals	—	134,029	—	—	—	134,029
From an OT hospital	—	5,660	—	—	—	5,660
From third party suppliers *(note)*	—	214,851	—	—	—	214,851
	—	447,480	—	—	—	447,480
GPO business						
From IOT hospitals	—	—	716,891	—	—	716,891
From Sponsored Hospitals	—	—	191,919	—	—	191,919
From subsidiaries	—	—	199,867	—	(199,867)	—
	—	—	1,108,677	—	(199,867)	908,810
Other hospital-derived services	—	—	—	39,111	(1,136)	37,975
Total	721,055	447,480	1,108,677	39,111	(201,003)	2,115,320
Timing of revenue recognition						
A point in time	423,271	—	1,108,677	39,111	(201,003)	1,370,056
Over time	297,784	447,480	—	—	—	745,264
Total	721,055	447,480	1,108,677	39,111	(201,003)	2,115,320

For the year ended December 31, 2018

	General healthcare services *RMB'000*	Hospital management services *RMB'000*	GPO business *RMB'000*	Other hospital-derived services *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Type of goods or services						
General healthcare services						
In-patient	275,290	—	—	—	—	275,290
Out-patient	437,317	—	—	—	—	437,317
	712,607	—	—	—	—	712,607
Hospital management services						
From IOT hospitals	—	94,681	—	—	—	94,681
From Sponsored Hospitals	—	101,475	—	—	—	101,475
From an OT hospital	—	4,245	—	—	—	4,245
From third party suppliers *(note)*	—	251,967	—	—	—	251,967
	—	452,368	—	—	—	452,368
GPO business						
From IOT hospitals	—	—	782,571	—	—	782,571
From Sponsored Hospitals	—	—	81,403	—	—	81,403
From subsidiaries	—	—	194,846	—	(194,846)	—
	—	—	1,058,820	—	(194,846)	863,974
Other hospital-derived services	—	—	—	31,588	(1,059)	30,529
Total	712,607	452,368	1,058,820	31,588	(195,905)	2,059,478
Timing of revenue recognition						
A point in time	437,317	—	1,058,820	31,588	(195,905)	1,331,820
Over time	275,290	452,368	—	—	—	727,658
Total	712,607	452,368	1,058,820	31,588	(195,905)	2,059,478

All of the Group's revenue is derived from the PRC.

Note:

The Group entered into agreements with its third party suppliers for the joint development of a regional integrated pharmaceutical and/or medical consumable supply chain management system (the "**Supply Chain Joint Development Agreements**"). With Beijing Jian Gong Hospital Company Limited (北京市健宮醫院有限公司) ("**Jian Gong Hospital**") (referred to as the "For-profit Hospital"), Jing Mei Hospital Group (京煤醫院集團), China Resources Wuhan Iron and Steel Hospital Group (華潤武鋼醫院集團) ("**Wugang Hospital Group**") and Guangdong 999 Brain Hospital (廣東三九腦科醫院) ("**999 Brain Hospital**") as the main service targets, the Group provides supply chain management services to suppliers and recognises relevant revenue based on pre-set formulas set out in the Supply Chain Joint Development Agreements.

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest and investment income on:		
Financial assets at FVTPL	**44,279**	44,611
Receivables from IOT hospitals	**10,206**	13,747
Bank deposits	**8,124**	5,690
Loan to a Sponsored Hospital	**2,375**	2,375
Dividend income on financial asset at FVTPL	**525**	2,319
Others	**9,761**	4,168
	75,270	72,910

6. OTHER GAINS AND LOSSES, NET

	2019	2018
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary	**—**	2,355
Loss on liquidation of an associate	**(118)**	—
Loss on disposal of items of property, plant and equipment	**(795)**	(1,560)
Fair value gains/(losses) on financial assets at FVTPL	**(13,491)**	4,992
Foreign exchange differences, net	**(12,158)**	(16,963)
	(26,562)	(11,176)

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Cost of inventories sold		**1,094,564**	1,056,724
Depreciation of items of property, plant and equipment		**38,983**	48,589
Amortisation of prepaid land lease prepayments	12(a)	**—**	3,375
Depreciation of right-of-use assets	12(b)	**5,911**	—
Amortisation of intangible assets (included in cost of sales)		**18,750**	21,024
Total depreciation and amortisation		**63,644**	72,988
Minimum lease payments under operating leases		**—**	4,868
Lease payments not included in the measurement of lease liabilities	12(d)	**3,237**	—
Foreign exchange differences, net		**12,158**	16,963
Impairment of trade receivables, net		**781**	65
Impairment of financial assets included in prepayments, deposits and other receivables		**794**	—
Impairment of amounts due from related parties		**2**	—

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Interest on bank borrowings	**15,027**	6,800
Interest on payables to the Sponsored Hospitals	**879**	901
Interest on lease liabilities	**528**	—
Others	**508**	—
	16,942	7,701

9. INCOME TAX

The PRC enterprise income tax has been provided at the rate of 25% (2018: 25%) on the estimated assessable income arising in the PRC during the year. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil).

	2019	2018
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**139,321**	151,862
Overprovision in prior years	**(116)**	(1,222)
Deferred	**1,460**	(1,253)
Total tax charge for the year	**140,665**	149,387

10. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividend recognised as distribution during the year:		
Final 2018 — HK12 cents (2017: HK11 cents) per ordinary share	**136,767**	116,725
Less: Dividend for shares held under the share award scheme	**(5,280)**	(1,690)
	131,487	115,035

	2019	2018
	HK$'000	*HK$'000*
Final dividend proposed after the end of the reporting period:		
Proposed final 2019 — HK10 cents (2018: HK12 cents) per ordinary share	**129,668**	155,601

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted earnings per share are based on:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to ordinary equity holders of the parent for the purpose of the basic and diluted earnings per share calculation	**390,865**	430,898

	Number of shares	
	2019	2018
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year for the purpose of the basic earnings per share calculation	**1,253,291**	1,267,176
Effect of dilution — weighted average number of ordinary shares:		
Shares awarded under share award scheme	**1,495**	557
Weighted average number of ordinary shares in issue during the year for the purpose of the diluted earnings per share calculation	**1,254,786**	1,267,733

The weighted average number of shares used for the purpose of calculating the basic and diluted earnings per share for the years ended December 31, 2019 and 2018 has been arrived at after adjusting the effect of shares repurchased and held under the share award scheme.

12. LEASES

The Group as a lessee

The Group has lease contracts for office properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties generally have lease terms between 1 and 5 years.

(a) Prepaid land lease payments (before January 1, 2019)

	RMB'000
Carrying amount at January 1, 2018	143,720
Recognised in profit or loss during the year	(3,375)
Carrying amount at December 31, 2018	140,345

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments *RMB'000*	Leased properties *RMB'000*	Total *RMB'000*
As at January 1, 2019	**140,345**	**138**	**140,483**
Additions	**—**	**21,478**	**21,478**
Depreciation charge	**(3,375)**	**(2,536)**	**(5,911)**
As at December 31, 2019	**136,970**	**19,080**	**156,050**

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	RMB'000
Carrying amount at January 1, 2019	**138**
New leases	**21,478**
Accretion of interest recognised during the year	**528**
Payments	**(3,261)**
Carrying amount at December 31, 2019	**18,883**
Analysed into:	
Current portion	**5,286**
Non-current portion	**13,597**
	18,883

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 *RMB'000*
Interest on lease liabilities	**528**
Depreciation charge of right-of-use assets	**5,911**
Expense relating to short-term leases with remaining lease terms ended on or before December 31, 2019 (included in administrative expenses)	**3,237**
Total amount recognised in profit or loss	**9,676**

The Group as a lessor

The Group leases certain office equipment under operating lease arrangements. Rental income recognised by the Group during the year was RMB1,953,000 (2018: RMB1,606,000).

13. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**619,453**	498,571
Impairment	**(755)**	(65)
	618,698	498,506

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit periods range from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**552,411**	439,136
1 to 2 years	**66,238**	51,500
2 to 3 years	**49**	7,870
	618,698	498,506

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Prepayments to suppliers	**12,466**	20,740
Current portion of receivables from IOT hospitals	**11,576**	14,838
Other receivable from "Yan Hua Hospital" *(note i)*	**189,747**	—
Current portion of prepaid land lease prepayments	**—**	3,375
Others	**7,121**	5,674
	220,910	44,627
Impairment	**(1,127)**	(333)
	219,783	44,294

Note:

(i) As disclosed in the announcements dated January 15, 2019, January 21, 2019 and April 17, 2019, Beijing Yan Hua Phoenix Healthcare Asset Management Company Limited (北京燕化鳳凰醫療資產管理有限公司) ("**Yan Hua Phoenix**"), the sponsor of Yan Hua Hospital, and Yan Hua Hospital unilaterally terminated the Yan Hua IOT Agreement from January 21, 2019. The Group has submitted a civil claim statement against Yan Hua Phoenix and Yan Hua Hospital in relation to the Yan Hua IOT Agreement dispute to the Beijing Second Intermediate People's Court on April 17, 2019 to seek the court's ruling that the unilateral termination of the Yan Hua IOT Agreement by Yan Hua Phoenix and Yan Hua Hospital on January 21, 2019 shall be void.

Having considered the terms of the Yan Hua IOT Agreement, the Group has further claimed that Yan Hua Phoenix and Yan Hua Hospital should be liable for damages for breach of the Yan Hua IOT Agreement. Accordingly, the Group reclassified the related receivables and operating right under the IOT arrangement with Yan Hua Hospital to other receivables during the year ended December 31, 2019.

On December 18, 2019, the Beijing Second Intermediate People's Court issued a judgement in favour of the Group. Subsequent to the end of the reporting period, Yan Hua Phoenix and Yan Hua Hospital filed an appeal to the Beijing Higher People's Court in January 2020 and the court hearing date is not yet fixed.

15. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the date of delivery, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 60 days	**170,322**	152,924
61 to 180 days	**62,657**	53,331
Over 180 days	**8,324**	17,827
	241,303	224,082

The trade payables are non-interest-bearing and are normally granted on a credit term of 0 to 90 days.

16. OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB'000	*RMB'000*
Staff cost payables	**85,290**	87,235
Deposits from suppliers	**23,190**	36,596
Deposits from patients	**68,085**	33,564
Other PRC tax payable	**21,102**	19,003
Unpaid travel expenses and administrative expenses	**6,531**	9,787
Unpaid expenses in relation to professional services	**11,947**	8,085
Payables for purchases of property, plant and equipment	**1,880**	2,237
Retirement benefit obligations	**—**	1,621
Unpaid consideration for the acquisition of a subsidiary	**190**	300
Others	**29,239**	21,742
	247,454	220,170

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The development of healthcare sector in China has become unprecedentedly important following China's latest stage of medical reform has been efficiently launched for ten years and with the government's implementation of the "Healthy China" strategy. The aging population, changes in the disease spectrum, seasonal infectious diseases and people's pursuit of a healthy life are driving the demand for medical services.

In late 2019, the Standing Committee of the National People's Congress approved and issued the "Basic Medical and Health Promotion Law" covering different aspects of the field of healthcare. Based on the experience of national reform of the medical system, it has based on the principle of "maintaining basic coverage, enhancing capabilities of lower-level medical institutions and facilitating the system and mechanism" to make a top-to-bottom and systemic arrangement, and ensure various rights of medical institutions operated by social capital under the new law. During the Reporting Period, the National Health Commission, together with ten government authorities including the National Development and Reform Commission, the Ministry of Finance and the National Healthcare Security Administration, also jointly issued the "Opinions on Promoting the Sustainable and Regulated Development of Social Entities' Participation in Healthcare Industry" to encourage the development of medical institutions by social capital with the government support, simplifying the procedures in seeking government approval for industry's entry, clarifying the complementary mechanism between public and private medical institutions, and further promoting the sustainable and healthy development of private medical institutions. Medical institutions established by social capital shall play an important role in China's medical and healthcare service system, and have great potential in business development. At the same time, a series of measures of the medical reform such as the elimination of mark-ups on drugs and consumables, the implementation of national-level Centralised Drugs Procurement Policy, and the reform of medical insurance payment methods have created rooms for price adjustment of medical services, and increase the incentive for hospitals to further refine its operation and management.

During the Reporting Period, we have continued to strengthen the management and efficiency improvement of our medical institutions, further improved the operation management system at group level, and enhanced the refined management ability. We have also established the disciplinary operation system to help enhance the specialty ability; and built a patient service system to improve the patients' experience. Our Environmental-Health-Safety-Quality system has also been strengthened in order to reduce various risks and improve our medical services. We are also continuously exploring innovative models to achieve our "group level medical services + internet" principle. Based on the above measures, the operating efficiency and profitability of in-network hospitals have made satisfactory improvement.

As of December 31, 2019, the Group managed and operated a total of 107 medical institutions in 10 provinces and cities in the PRC. The number of outpatient and inpatient visits of our in-network hospitals increased by 6.8% to 8,780,915 times and 1.7% to 252,368 times, respectively; but the average outpatient spending per visit recorded a year-on-year decrease of 4.5%, while the average inpatient spending per visit increased by 1.5%. The total revenue from medical business of our in-network hospitals grew by 2.8% to approximately RMB6.869 billion.

List of Medical Institutions under the Group's Management and Operation

Province/City	**Grade III Hospitals**	**Grade II Hospitals**	**Grade I Hospitals and Community Centres**	**Clinics & Other Medical Institutions**	**Total**
Beijing[(1)]	1	5	11	28	45
Hebei	—	1	—	—	1
Shandong[(2)]	—	2	1	1	4
Shanxi[(1)]	—	1	—	—	1
Jiangsu	—	1	—	—	1
Anhui[(1)]	1	6	16	6	29
Hubei	2	—	3	14	19
Guangdong[(1)]	1	1	—	2	4
Guangxi[(1)]	—	1	1	—	2
Hainan	—	—	—	1	1
Total	5	18	32	52	107

Notes:

(1) During the Reporting Period, the Group has begun in providing hospital management services to the Run Neng Hospitals.

(2) Pursuant to the hospital operation and management agreement which was entered into between the Group, Tai'an Taishan Urban and Rural Development Limited Company* (泰安泰山城鄉建設發展有限公司) and Tai'an City High Speed Rail New District Development Centre* (泰安市高鐵新區建設發展中心) dated March 21, 2018, the Group provides operation and management services to Tai'an City Hospital for a cooperation term of 20 years. Tai'an City Hospital is located in High Speed Rail New District of Tai'an which has not commenced operation.

Operating data for 2019

Type	Number of beds in operation	Utilization rate of beds	Number of patients: Number of outpatients	Number of patients: Number of inpatients	Revenue from medical business (RMB'000): Revenue from outpatient visits	Revenue from inpatient visits	Revenue from physical examination	Total
For-profit hospitals	**385**	**88.4%**	**889,035**	**14,734**	**407,483**	**297,784**	**15,788**	**721,055**
Sponsored hospitals	**6,689**	**71.1%**	**3,843,220**	**176,602**	**1,161,357**	**2,266,261**	**50,936**	**3,478,554**
IOT Hospitals	**3,148**	**75.0%**	**4,048,660**	**61,032**	**1,581,933**	**1,043,594**	**43,667**	**2,669,194**
Subtotal	**10,222**	**73.0%**	**8,780,915**	**252,368**	**3,150,773**	**3,607,639**	**110,391**	**6,868,803**

Operating data for 2018

Type	Number of beds in operation	Utilization rate of beds	Number of patients: Number of outpatients	Number of patients: Number of inpatients	Revenue from medical business (RMB'000): Revenue from outpatient visits	Revenue from inpatient visits	Revenue from physical examination	Total
For-profit hospital(s)	395	85.7%	887,322	13,612	422,737	256,484	14,584	693,805
Sponsored hospitals	6,174	78.5%	2,550,240	159,810	768,970	1,942,637	27,506	2,739,113
IOT Hospitals	3,811	82.0%	4,784,859	74,626	1,899,780	1,293,625	57,496	3,250,901
Subtotal	10,380	80.1%	8,222,421	248,048	3,091,487	3,492,746	99,586	6,683,819

Notes:

During the Reporting Period:

(1) For-profit hospitals include: Jian Gong Hospital and 999 Clinic (which was excluded in 2019).

(2) Sponsored hospitals include: Guangdong 999 Brain Hospital, Huaikuang Hospital Group, Xukuang Hospital, Wugang Hospital Group and the Run Neng Hospitals (which were newly added in 2019).

(3) IOT Hospitals include: Yan Hua Hospital Group (which was excluded in 2019), Jing Mei Hospital Group, Mentougou Hospital, Mentougou Traditional Chinese Medicine Hospital, Mentougou Hospital for Women and Children, Shunyi District Konggang Hospital, the Second Hospital of Shunyi District and Baoding Third Center Hospital.

(4) OT Hospital(s) include: Tai'an City Hospital, which has not commenced operation.

Financial data

Financial data for 2019

2019 *RMB'000*	Total	Segment results For-profit hospitals	Sponsored hospitals	IOT/OT hospitals	Other derived businesses	Administrative expenses	Other gains and expenses
Revenue from goods and services	**2,115,320**	**744,132**	**426,112**	**907,101**	**37,975**	—	—
Cost of sales and services	**(1,353,029)**	**(551,995)**	**(173,902)**	**(607,856)**	**(19,276)**	—	—
Other income	**16,445**	**1,655**	—	**10,206**	**4,584**	—	—
Other gains and losses	**(790)**	**(790)**	—	—	—	—	—
Selling and distribution expenses	**(15,750)**	**(2,412)**	**(4,389)**	**(8,924)**	**(25)**	—	—
Administrative expenses	**(99,115)**	**(65,043)**	**(6,715)**	**(20,298)**	**(7,059)**	—	—
Other expenses	**(1,961)**	**(836)**	—	—	**(1,125)**	—	—
Segment results	**661,120**	**124,711**	**241,106**	**280,229**	**15,074**	—	—
Headquarters operating expenses	**(138,704)**	—	—	—	—	**(138,704)**	—
Other profit or loss	**31,179**	—	—	—	—	—	**31,179**
Finance costs	**(16,942)**	—	—	—	—	—	**(16,942)**
Share of profit of joint ventures/ associates	**4,646**	—	—	—	—	—	**4,646**
Income tax	**(140,665)**	—	—	—	—	—	**(140,665)**
Net profit or loss	**400,634**	**124,711**	**241,106**	**280,229**	**15,074**	**(138,704)**	**(121,782)**
Revenue from medical business *(Note)*	**6,868,803**	**721,055**	**3,478,554**	**2,669,194**	—	—	—

Note: Among the revenue from medical business, only the portion of for-profit hospitals amounting to about RMB721 million has been included in the consolidated revenue of the Group, whilst the medical business revenue of the sponsored hospitals and IOT/OT Hospitals in aggregate of about RMB6.148 billion was not included in the Group's consolidated revenue and only the management fee income and supply chain business income derived from the latter two types of hospitals were included in the Group's consolidated revenue.

Financial data for 2018

2018 *RMB'000*	Total	Segment results For-profit hospitals	Sponsored hospitals	IOT/OT hospitals	Other derived businesses	Administrative expenses	Other gains and expenses
Revenue from goods and services	2,059,478	737,688	300,496	990,765	30,529	—	—
Cost of sales and services	(1,302,800)	(553,608)	(76,644)	(652,189)	(20,359)	—	—
Other income	15,663	1,916	—	13,747	—	—	—
Other gains and losses	(1,472)	(1,472)	—	—	—	—	—
Selling and distribution expenses	(19,888)	(3,407)	(2,314)	(14,088)	(79)	—	—
Administrative expenses	(103,980)	(74,136)	(7,395)	(19,495)	(2,954)	—	—
Other expenses	(239)	(103)	—	—	(136)	—	—
Segment results	646,762	106,878	214,143	318,740	7,001	—	—
Headquarters operating expenses	(99,562)	—	—	—	—	(99,562)	—
Other profit or loss	47,297	—	—	—	—	—	47,297
Finance costs	(7,701)	—	—	—	—	—	(7,701)
Share of profit of joint ventures/ associates	2,147	—	—	—	—	—	2,147
Income tax	(149,387)	—	—	—	—	—	(149,387)
Net profit or loss	439,556	106,878	214,143	318,740	7,001	(99,562)	(107,644)
Revenue from medical business *(Note)*	6,683,819	693,805	2,739,113	3,250,901	—	—	—

Note: Among the revenue from medical business, only the portion of for-profit hospitals amounting to about RMB694 million has been included in the consolidated revenue of the Group, whilst the medical business revenue of the sponsored hospitals and IOT/OT Hospitals in aggregate of about RMB5.99 billion was not included in the Group's consolidated revenue and only the management fee income and supply chain business income derived from the latter two types of hospitals were included in the Group's consolidated revenue.

SEGMENT RESULTS

During the Reporting Period, the Group fully implemented the strategy of improving quality and enhancing efficiency, and as a result the performance of our in-network hospitals increased steadily which effectively offset the adverse effects brought by the Yan Hua IOT Agreement dispute. Nevertheless, the aggregated results of all segments in 2019 amounted to about RMB661 million, which increased by approximately 2.2% as compared with the previous year. Excluding the results contribution of the Yan Hua Hospital Group to the Group during the corresponding periods, the aggregate results of all segments in 2019 and the same period of the prior year was RMB657 million and RMB540 million, respectively, representing a growth of 21.7%.

Segment Results — For-Profit Hospitals

As the site of our 999 Clinic has been included in the local demolition plan, its operation is temporarily suspended. Therefore, in 2019, Jian Gong Hospital is the only for-profit hospital of the Group. During the Reporting Period, due to the increase in both the number of patients and average spending per patient of Jian Gong Hospital, the medical business revenue of the for-profit hospital segment increased by 3.9% year-on-year, and the segment results recorded an increase of 16.7% and reached approximately RMB125 million, and profit margin of such segment also increased to 17.3% from 15.4% in the prior year.

	2019	2018	Year-on-Year Change	
For-profit hospital(s)	***RMB'000***	*RMB'000*	*RMB'000*	*%*
Revenue from medical business	**721,055**	693,805	27,250	3.9%
General healthcare services	**64,033**	46,014	18,019	39.2%
Third-party supply chain service fees	**23,077**	25,081	(2,004)	−8.0%
GPO gross profit	**41,155**	42,592	(1,437)	−3.4%
Profit contribution	**128,265**	113,687	14,578	12.8%
Operating expenses and other profit or loss	**(3,554)**	(6,809)	3,255	−47.8%
Segment results	**124,711**	106,878	17,833	16.7%
Segment profit margin	**17.3%**	15.4%	1.9ppt	

Segment Results — Sponsored Hospitals

During the Reporting Period, the Group has begun in providing hospital management services to the Run Neng Hospitals. In 2019, the Run Neng Hospitals recorded about RMB432 million medical business revenue, which led to a 27.0% year-on-year increase in medical business revenue of such segment to RMB3.479 billion. Although the contribution of the Run Neng Hospitals was limited during the period, the revenue growth of originally in-network sponsored hospitals has driven the segment profit to increase by 12.6% year-on-year to RMB241 million. The profit margin of such segment (excluding the Run Neng Hospitals) increased slightly to 7.9% from 7.8% of the prior year. Capital injection to the joint venture platform holding the entire interests in the Run Neng Hospitals has been completed in late December 2019, and it has been consolidated to the financial statements of the Group since then.

	2019	2018	Year-on-Year Change	
Sponsored hospitals	***RMB'000***	*RMB'000*	*RMB'000*	*%*
Revenue from medical business *(Note)*	**3,478,554**	2,739,113	739,441	27.0%
Hospital management services fees	**134,029**	101,475	32,554	32.1%
Third-party supply chain service fees	**100,164**	117,618	(17,454)	−14.8%
GPO gross profit	**19,365**	8,162	11,203	137.3%
Profit contribution	**253,558**	227,255	26,303	11.6%
Operating expenses and other profit or loss	**(12,452)**	(13,112)	660	−5.0%
Segment results	**241,106**	214,143	26,963	12.6%
Segment profit margin	**6.9%**	7.8%	−0.9ppt	

Note: In 2019, the revenue from sponsored hospitals' medical business included the contribution of the Run Neng Hospitals which amounted to approximately RMB432 million.

Segment Results — IOT/OT Hospitals

Due to adverse effects of the Yan Hua IOT Agreement dispute, the medical business revenue as well as the results of the IOT/OT Hospitals segment of the year decreased by 17.9% and 12.1%, respectively. Excluding the impacts of the Yan Hua Hospital Group on such segment during the corresponding two periods, as a result of the Group's improvement in its operation efficiency and quality, the medical business revenue of the IOT/OT Hospital segment has increased by 11.0% year-on-year to RMB2.67 billion, and the segment results increased significantly by 30.3% from RMB212 million in 2018 to RMB276 million.

	2019	2018	Year-on-Year Change	
IOT/OT Hospitals	***RMB'000***	*RMB'000*	*RMB'000*	*%*
Revenue from medical business[(1)]	**2,669,194**	3,250,901	(581,707)	−17.9%
Hospital management services fees	**98,600**	98,926	(326)	−0.3%
Third-party supply chain service fees	**91,610**	109,268	(17,658)	−16.2%
GPO gross profit	**142,572**	154,192	(11,620)	−7.5%
Profit contribution	**332,782**	362,386	(29,604)	−8.2%
Operating expenses and other profit or loss	**(52,553)**	(43,646)	(8,907)	20.4%
Segment results[(2)]	**280,229**	318,740	(38,511)	−12.1%
Segment profit margin	**10.5%**	9.8%	0.7ppt	

Notes:

(1) The revenue from medical business of the IOT/OT Hospital segment did not include the contribution of the Yan Hua Hospital Group in 2019. In 2018, Yan Hua Hospital's contribution in medical business revenue of such segment was RMB846 million.

(2) The results of the IOT/OT Hospital segment in 2019 included the result contribution of the Yan Hua Hospital Group, which amounted to approximately RMB4.20 million, whilst in 2018, Yan Hua Hospital's result contribution was approximately RMB107 million.

Segment Results — Other derived businesses

During the year, the segment results of the other derived businesses of the Group was approximately RMB15.07 million and was around 2 times when compared with the prior year. Such growth was mainly due to the increase in income generated from consultation business, physician companies and clinic network.

HEADQUARTERS OPERATING EXPENSES

The total operating expenses of the headquarters amounted to approximately RMB139 million in 2019 (2018: RMB99.56 million), accounting for 58.4% of the total administrative expenses of the Group (2018: 48.9%) and such an increase was mainly due to the increase in staff costs.

OTHER PROFIT OR LOSS

During the Reporting Period, other profit or loss of the Group totaled approximately RMB31.18 million (2018: RMB47.30 million), which was mainly due to the decrease in fair value of the shares of UMP Healthcare Holdings as held by the Group.

FINANCE COSTS

During the Reporting Period, the total finance costs of the Group amounted to approximately RMB16.94 million (2018: RMB7.7 million), which was mainly due to the increase in the balance of outstanding bank loan.

INCOME TAX EXPENSE

During the Reporting Period, the Group's income tax expenses amounted to RMB141 million (2018: RMB149 million). The effective income tax rate of the Group's recurring business was 26.0% (2018: 25.4%).

NET PROFIT

The Group's originally in-network hospitals delivered satisfactory performance during the Reporting Period, which effectively offset the adverse impact of the Yan Hua IOT Agreement dispute. In 2019, the Group's net profit was about RMB401 million, representing a decrease of 8.9% year-on-year.

By excluding the result (after tax) contributed by Yan Hua Hospital to the Group during the Reporting Period and in 2018 which respectively amounted to RMB3.14 million and RMB79.84 million, the Group's net profit for 2019 was RMB397 million (2018: RMB360 million), representing an increase of 10.5% year-on-year.

SPONSORSHIP RIGHTS, SERVICE CONTRACTS AND GOODWILL

Pursuant to IAS 38, an intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The Group has considered the following factors and concluded that the Group has the ability to renew the service contracts of Xukuang Hospital, Huaikuang Hospital Group and 999 Brain Hospital ("**Service Contracts**", and each of the hospitals, the "**Sponsored Hospital**") through the sponsorship rights, and it is appropriate to classify the sponsorship rights and service contracts as the intangible assets of the Group of infinite useful life:

1. The sponsors of the Sponsored Hospitals are subsidiaries of the Group;

2. The rights and obligations of the sponsors as stipulated in the articles of associations of each Sponsored Hospitals include, among others, (i) access to the operation status and financial reports of the Sponsored Hospitals, (ii) recommending members to the executive committee which is the highest authority of the Sponsored Hospitals; and

3. According to the articles of association of Xukuang Hospital, Huaikuang Hospital Group, 999 Brain Hospital and also Wugang Hospital, their respective executive committee comprises 3 members recommended by the sponsor, 1 member elected by the employees and 1 member who is the chairman of the labor union of the relevant hospital. Executive committee has the absolute right in renewal of the Service Contracts with the relevant resolution to be approved by simple majority vote of the executive committee.

Management of the Company performed impairment reviews of sponsorship rights, service contracts and goodwill annually or more frequently if events or changes in circumstances indicated a potential impairment. The recoverable amounts of the abovementioned sponsorship rights, service contracts and goodwill were determined based on the fair value under income approach less costs of disposal. These calculations required the use of estimates and professional judgements, and management of the Company involved an external valuer in these calculations. Based on the management's assessment, no impairment was required on the abovementioned sponsorship rights and service contracts and goodwill as at December 31, 2019.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS, INVESTMENTS IN AND RECEIVABLES FROM JOINT VENTURE(S) AND SUBSEQUENT PLANS FOR MATERIAL CAPITAL INVESTMENTS

Save for the capital requirements in respect of the involvement in the proposed reform of Jing Mei Hospital Group and further investments Jinan Zhong Qi Hospital (details of which has been disclosed in the announcement of the Company dated December 4, 2019), the Directors confirmed that, as at the date of this announcement, there are currently no concrete plans to acquire any material investment or capital assets other than those conducted in the Group's ordinary course of business.

INVESTMENT IN UMP HEALTHCARE HOLDINGS

UMP Healthcare Holdings, listed on the Main Board of The Stock Exchange, is mainly engaged in providing healthcare solutions and service in Hong Kong. Details of investment in UMP Healthcare Holdings have been disclosed in the Company's annual reports in prior years. Pursuant to the relevant accounting standards, the Company has categorized the investment in UMP Healthcare Holdings as financial assets at fair value through profit or loss. As at December 31, 2019, the fair value of the investment in UMP Healthcare Holdings was approximately RMB113 million.

FUTURE OUTLOOK

In 2020, our goal is to strengthen the specialties and establish our brand. We shall focus on developing specialties with scale, good brand name and great potential. Our Run-Xin service system for patients shall be further enhanced to gain prestige in respect of patient experiences of the China Resources Medical network. We shall launch innovative "Medical + Internet" products to provide easy access to our medical services. Meanwhile, we shall further improve our quality control system for our hospitals and operation systems for various disciplines, continue to assist the mentioned goal of specialties development, especially for our big six discipline clusters, i.e. orthopedic, encephalopathy, rehabilitation, oncology, cardiology and gastroenterology, and provide patients with high-quality and efficient medical services.

FINANCIAL REVIEW

Liquidity and Financing

We adopt a prudent treasury management policy to maintain a solid and healthy financial position. The Group funds its operations principally from cash generated from its operations and also bank facilities. Its cash requirements relate primarily to operating activities, business expansion, repayment of liabilities as they become due, capital expenditures, interest and dividend payments.

As at December 31, 2019, the Group's consolidated bank balances and cash, certificate of deposit and bank financial products amounted to approximately RMB2.276 billion in total (December 31, 2018: approximately RMB1.9 billion) which were primarily in RMB. The Company, as borrower, obtained a revolving term loan facility of HK$800 million (or its equivalent in U.S. dollar or Renminbi) on March 27, 2017 (the "Revolving Term Loan"), and obtained a fixed term loan with credit line of HK$1.2 billion (or its equivalent U.S. dollar or Renminbi) on June 21, 2018 (the "Fixed Term Loan"), from a bank in Hong Kong (the "Bank"). On September 19, 2019, the Company, as borrower, entered into a supplemental facility letter ("Facility Letter") with the Bank and pursuant to which the Revolving Term Loan together with the Fixed Term Loan have been revised to a revolving term loan in an aggregate amount of HK$3 billion or its equivalent in U.S. dollar or Renminbi with no fixed term until further notice by the Bank. As at December 31, 2019, the Group had interest-bearing bank borrowings of HK$646 million (equivalent to approximately RMB578 million) (December 31, 2018: HK$560 million (equivalent to approximately RMB491 million)), and unutilised bank facilities with a credit line of HK$2.354 billion (equivalent to approximately RMB2.109 billion). As at December 31, 2019, all the Group's bank borrowings carried interests at floating rates and would be due within one year. As at December 31, 2019, the Group's amounts payable to the sponsored hospitals of the Group amounted to RMB256 million (December 31, 2018: RMB255 million).

As at December 31, 2019, on the basis of interest-bearing liabilities (excluding payables to hospitals sponsored by the Group) divided by total assets, the Group's gearing ratio was 7.3% (FY2018: 6.7%).

Exposure to Fluctuation in Exchange Rates and Other Risks

The Group undertakes certain operating transactions in foreign currencies, which exposes the Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar and U.S. dollar against RMB.

The Group has not used any derivative contracts to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and considers hedging against significant foreign exchange exposure should such need arise.

We are also exposed to risk of talent shortage, so we have been taking an active approach to attract, train and retain sufficient qualified doctors, management personnel and other medical staff members, otherwise the business of hospitals affiliated to the Group would be affected to some degree. Please refer to the paragraph headed "Management Discussion and Analysis — Employees and Remuneration Policy" to this announcement for those measures mentioned above.

We also recognise that our relationship with patients and partners is key to the resilient development of the Group. We strive to provide qualified services and medical staffs with extensive experiences to our patients. By leveraging on sophisticated medical skills and equipment, we try our best to cater to our patients' needs for medical treatments. We also cooperate with our partners to achieve the sustainable development of our business.

Contingent Liabilities

As at December 31, 2019, the Group did not have any contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Group.

Pledge of Assets

As of December 31, 2019, the Group did not have any material pledge of assets.

SUBSEQUENT EVENT(S)

The outbreak of novel coronavirus

The outbreak of novel coronavirus ("**COVID-19**") continues to spread throughout China and to countries across the world. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment is still in progress. Given the dynamic nature of these circumstances, the related impact on our Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

About the Yan Hua IOT Agreement Dispute

Reference is made to the announcements published by the Company on January 15, 2019, January 21, 2019 and April 17, 2019. On January 21, 2019, the Company received a letter from Yan Hua Phoenix and Yan Hua Hospital to unilaterally terminate the Yan Hua IOT Agreement with effect from January 21, 2019. On April 17, 2019, the Group has submitted the civil claim statement against Yan Hua Phoenix and Yan Hua Hospital in relation to the Yan Hua IOT Agreement dispute to Beijing Second Intermediate People's Court on the even date to seek the court's ruling that the unilateral termination of Yan Hua IOT Agreement by Yan Hua Phoenix and Yan Hua Hospital on January 21, 2019 shall be void and that Yan Hua Phoenix and Yan Hua Hospital should be liable for damages for breach of the Yan Hua IOT Agreement. On December 18, 2019, the Beijing Second Intermediate People's Court handed down the civil judgment ([2019] Jing 02 Minchu No.304) and the major details are as follows: (1) the unilateral termination of Yan Hua IOT Agreement by Yan Hua Phoenix and Yan Hua Hospital is declared to be void and that the parties shall continue to perform its obligations under the Yan Hua IOT Agreement; (2) the amount of RMB14,400,000, being the damages for breach of the Yan Hua IOT Agreement, is to be paid by Yan Hua Phoenix to CR

Hospital Management & Consulting; (3) other reliefs sought by CR Hospital Management & Consulting shall be dismissed; and (4) other counterclaims of Yan Hua Phoenix and Yan Hua Hospital shall be dismissed. Pursuant to the laws of the PRC, the Judgment is still not effective. Yan Hua Phoenix and Yan Hua Hospital have filed appeal in January 2020 to Beijing Higher People's Court and the court hearing date is not yet fixed as at the date of this announcement. The Company will use its best endeavours and will take all appropriate actions to protect the interests of the Company and the Shareholders.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2019, the Group had a total of 1,178 fulltime employees (December 31, 2018: 1,120 employees). For FY2019, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB355 million (FY2018: RMB316 million).

The Group ensured that the remuneration packages of employees remain competitive and the remuneration level of its employees was determined on the basis of performance with reference to the profitability of the Group, industry remuneration standards and market conditions within the general framework of the Group's remuneration system. The Group has also adopted the Share Option Scheme and the Share Award Scheme so as to provide incentives or rewards to eligible participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.

FINAL DIVIDEND

The Board proposes to pay a final dividend of 10 HK cents (equivalent to approximately RMB9.0 cents) per Share for FY2019 (FY2018: final dividend: 12 HK cents (equivalent to approximately RMB10.2 cents)). The proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Friday, June 5, 2020. Based on the number of Shares in issue of the Company as of December 31, 2019, the total amount of final dividends is approximately HK$130 million. Subject to the approval by Shareholders at the annual general meeting to be held on Thursday, May 28, 2020, it is expected that the final dividend will be distributed on or before Tuesday, June 16, 2020.

The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

DIVIDEND POLICY

According to the dividend policy of the Group, subject to compliance with applicable rules and regulations (including Cayman Islands laws) and the articles of association of the Company, the Company will pay dividend to the Shareholders. The Company intends to share its profits with Shareholders in the form of annual dividend and the remaining net profits will be used for the Group's development and operations.

The Company's ability to pay dividends will depend upon, among other things, the general financial condition of the Group, the Group's current and future operations, liquidity position and capital requirement of the Group as well as dividends received from the Company's subsidiaries. The payment of the dividend by the Company is also subject to any restrictions under the Cayman Islands laws and articles of association of the Company.

The dividend policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as rules governing dealings by Directors in the listed securities of the Company.

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code during the year ended December 31, 2019. As senior managers, executives and officers who, because of their offices in the Company, may possess inside information of the Company, they shall comply with the provision of the Model Code. To the best knowledge of the Company, no incident of non-compliance to the Model Code has been committed by such employees during the year ended December 31, 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Thursday, May 28, 2020, the register of members of the Company will be closed from Monday, May 25, 2020 to Thursday, May 28, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as members entitled to attend and vote at the annual general meeting, investors should lodge all transfers of shares accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, May 22, 2020.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, June 3, 2020 to Friday, June 5, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares 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, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, June 2, 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended December 31, 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company confirms that it has complied with all material code provisions of CG Code during the year ended December 31, 2019.

The Company will review and commit in making necessary arrangement to comply with all the code provisions under the CG Code and the rising expectations of Shareholders and investors.

AUDIT COMMITTEE

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules and the CG Code on November 4, 2013. Its primary responsibilities include serving as a focal point for communication among other Directors, the external auditor and the internal auditor (where an internal audit function exists) as regards their duties relating to financial and other reporting, risk management and internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time, assisting the Board in providing an independent review on the effectiveness of the financial reporting system, risk management and internal control systems of the Group and overseeing the audit procedure, reviewing the Group's financial and accounting policies and practices and performing other duties and responsibilities as designated by the Board.

The Audit Committee currently comprises one non-executive Director, namely Mr. Wang Yan and two independent non-executive Directors, namely Mr. Kwong Kwok Kong (committee chairman) and Ms. Chiu Kam Hing Kathy. The Audit Committee, together with the management of the Company, has reviewed the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning risk management and internal control, auditing and financial reporting matters and reviewed the annual results and the consolidated financial statements of the Group for the year ended December 31, 2019.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crmedical.hk), and the 2019 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

In this announcement, the terms "associate", "connected person" and "subsidiary" shall have the same meanings given to such terms in the Listing Rules, unless the context otherwise requires.

DEFINITIONS

"Articles of Association" or "Articles"	the articles of association of our Company adopted on September 30, 2013 and as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of our Company
"BVI"	the British Virgin Islands
"Centralised Drugs Procurement Policy"	The centralised drugs procurement policy via cross-regional alliances for the public medical institutions in eleven pilot cities (i.e. Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi'an) according to the policy of the "Notice on the National Centralized Procurement and Use Pilot Program for Drugs" issued by the General Office of the State Council of the People's Republic of China on January 17, 2019
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of our Board
"Chief Executive Officer"	the chief executive officer of the Company
"Chief Financial Officer"	the chief financial officer of the Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Taiwan, the Macau Special Administrative Region and Hong Kong
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "CR Medical"	China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability on February 28, 2013

"CR Healthcare Group"	China Resources Healthcare Group Limited, a company incorporated under the laws of Hong Kong
"CR Hospital Management & Consulting"	China Resources Hospital Management & Consulting Co. Ltd. (華潤醫院管理諮詢有限公司) (formerly known as Beijing Phoenix United Hospital Management Consulting Co. Ltd. (北京鳳凰聯合醫院管理諮詢有限公司), Beijing Phoenix United Hospital Management Co., Ltd. (北京鳳凰聯合醫院管理有限公司) and Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), a limited liability company established under the laws of the PRC on November 6, 2007, and a wholly-owned subsidiary of our Company
"Director(s)"	the directors of our Company or any of them
"FY2018"	the financial year ended December 31, 2018
"FY2019"	the financial year ended December 31, 2019
"Group", "our Group", "we" or "us"	our Company and its subsidiaries
"HK$" or "HKD" and "HK cent(s)" or "cent(s)"	Hong Kong dollar and cent(s) respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huaikuang Hospital"	Huaibei Miner General Hospital* (淮北礦工總醫院)
"Huaikuang Hospital Group"	collectively, Huaikuang Hospital and certain affiliated hospitals and community clinics
"IAS"	International Accounting Standard
"IFRSs"	International Financial Reporting Standards
"IOT"	the "invest-operate-transfer" model
"IOT Hospitals"	third-party hospitals and clinics, which we manage and operate under the IOT model

"Jian Gong Hospital"	Beijing Jian Gong Hospital Co., Ltd.* (北京市健宮醫院有限公司), a limited liability company established under the laws of the PRC on May 12, 2003 and a subsidiary of our Company, and its predecessor, Beijing Construction Worker Hospital (北京市建築工人醫院), before its reform
"Jing Mei Hospital"	Jing Mei Hospital* (北京京煤集團總醫院)
"Jing Mei Hospital Group"	collectively, Jing Mei Hospital and its affiliated hospitals and community clinics
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mentougou Hospital"	Beijing Mentougou Hospital (北京市門頭溝區醫院), a not-for-profit hospital established under the laws of the PRC in 1951 and wholly owned by the Mentougou District government, which we began managing in June 2010 pursuant to the Mentougou IOT Agreement
"Mentougou Hospital for Women and Children"	Mentougou Hospital for Women and Children (門頭溝區婦幼保健院) incorporated under the laws of the PRC in 1983 and wholly owned by the Mentougou District government, which we began managing in September 2014 pursuant to the Mentougou Hospital for Women and Children IOT Agreement
"Mentougou Hospital for Women and Children IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on September 23, 2014
"Mentougou IOT Agreement"	collectively, the IOT agreement we entered into with the Mentougou District government on July 30, 2010, as amended
"Mentougou TCM Hospital IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on June 6, 2012
"Mentougou Traditional Chinese Medicine Hospital"	Mentougou Traditional Chinese Medicine Hospital (北京市門頭溝區中醫院), a not-for-profit hospital established under the laws of the PRC in 1956 and wholly owned by the Mentougou District government, which we began managing in June 2012 pursuant to the Mentougou TCM Hospital IOT Agreement

"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"OT"	the "operate-transfer" model
"OT Hospital"	third-party hospital which we manage and operate under the OT model
"PMM"	pharmaceuticals, medical device and medical consumables
"Reporting Period"	the period from January 1, 2019 to December 31, 2019
"RMB"	Renminbi, the lawful currency of the PRC
"Run Neng Hospitals"	collectively, Guangdong CEEC Power Hospital* (廣東中能建電力醫院), Beijing CEEC Hospital* (北京中能建醫院), Guangxi Hydropower Hospital* (廣西水電醫院) and CEEC Anhui Hospital* (中能建安徽醫院)
"Share(s)"	share(s) with par value of HK$0.00025 each in the capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Award Scheme"	the share award scheme of the Company adopted by the Board pursuant to a resolution passed by the Board on July 7, 2014, as amended by the Board on May 25, 2015 and August 31, 2018
"Share Option Scheme"	the share option scheme conditionally adopted by the Company pursuant to a resolution passed by our Shareholders on September 30, 2013
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"UMP Healthcare Holdings"	UMP Healthcare Holdings Limited (聯合醫務集團有限公司), a limited liability company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange (Stock Code: 722)
"United States" or "U.S."	the United States of America, its territories and possessions, and all areas subject to its jurisdiction
"U.S. dollar" or "US$"	United States dollar, the lawful currency of the United States

"Wugang Hospital"	China Resources Wugang General Hospital* (華潤武鋼總醫院)
"Wugang Hospital Group"	collectively, Wugang Hospital, Wuhan Iron and Steel (Group) Corporation No. 2 Staff Hospital* (武漢鋼鐵(集團)公司第二職工醫院) and certain affiliated hospitals and community clinics
"Xukuang Hospital"	Xuzhou Mining Hospital* (徐州市礦山醫院)
"Yan Hua Hospital"	Yan Hua Hospital* (北京燕化醫院)
"Yan Hua Hospital Group"	collectively, Yan Hua Hospital and the community clinics affiliated with Yan Hua Hospital
"Yan Hua Hospital Investment Management Agreement"	the hospital investment management agreement dated February 4, 2008, which was supplemented in April 2008, December 2010, June 2011, July 2013, September 2013 and October 2013, and were entered into between CR Hospital Management & Consulting, Yan Hua Hospital and Yan Hua Phoenix
"Yan Hua IOT Agreement"	the hospital management right and investment framework agreement dated February 1, 2008 and the hospital investment management agreement dated February 4, 2008, both of which were supplemented in April 2008, December 2010, June 2011, June 2013, July 2013, September 2013 and October 2013, entered into by CR Hospital Management & Consulting with Yan Hua Phoenix and Yan Hua Hospital Group
"Yan Hua Phoenix"	Beijing Yan Hua Phoenix Healthcare Asset Management Co., Ltd.* (北京燕化鳳凰醫療資產管理有限公司), a limited liability company incorporated under the laws of the PRC on July 18, 2005

* *Denotes English translation of the name of a Chinese entity is provided for identification purpose only.*

By Order of the Board
China Resources Medical Holdings Company Limited
CHENG Libing
Executive Director & Chief Executive Officer

Beijing, March 24, 2020

As at the date of this announcement, 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.