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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board of directors (the “**Board**”) of China Resources Medical Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2021 (the “**Reporting Period**”) as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2021

		For the six months ended June 30,	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
REVENUE	4	1,772,123	907,413
Cost of sales		<u>(1,377,549)</u>	<u>(662,090)</u>
Gross profit		394,574	245,323
Other income	5	54,697	38,779
Other gains and losses, net	6	(19,776)	1,165
Selling and distribution expenses		(8,145)	(6,264)
Administrative expenses		(188,692)	(106,803)
Reversal of impairment losses/(impairment losses) on financial assets, net		796	(6,669)
Other expenses		(1,148)	(401)
Finance costs		(5,878)	(9,343)
Share of profits and losses of:			
A joint venture		630	409
Associates		<u>43,084</u>	<u>(5)</u>

		For the six months ended June 30,	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
PROFIT BEFORE TAX	7	270,142	156,191
Income tax expense	8	<u>(64,817)</u>	<u>(45,971)</u>
PROFIT FOR THE PERIOD		<u>205,325</u>	<u>110,220</u>
Attributable to:			
Owners of the parent		199,315	107,753
Non-controlling interests		<u>6,010</u>	<u>2,467</u>
		<u>205,325</u>	<u>110,220</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic (<i>RMB yuan</i>)		<u>0.16</u>	<u>0.09</u>
Diluted (<i>RMB yuan</i>)		<u>0.16</u>	<u>0.09</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

For the six months ended June 30, 2021

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>205,325</u>	<u>110,220</u>
Attributable to:		
Owners of the parent	199,315	107,753
Non-controlling interests	<u>6,010</u>	<u>2,467</u>
	<u>205,325</u>	<u>110,220</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,318,619	805,149
Right-of-use assets	269,231	240,483
Goodwill	1,721,211	1,471,868
Other intangible assets	1,342,346	1,345,623
Investment in a joint venture	514,730	514,100
Investments in associates	922,760	41,397
Receivables from invest-operate-transfer (“IOT”) hospitals	79,442	77,214
Loan to a sponsored hospital	52,368	51,197
Financial assets at fair value through profit or loss (“FVTPL”)	71,040	92,718
Other financial assets at amortised cost	151,602	100,095
Deferred tax assets	188	188
Other non-current assets	76,269	76,269
Total non-current assets	<u>6,519,806</u>	<u>4,816,301</u>
CURRENT ASSETS		
Inventories	145,749	142,035
Trade and bills receivables	843,324	618,103
Contract assets	21,500	19,840
Prepayments, deposits and other receivables	413,518	372,395
Due from related parties	47,727	5,472
Financial assets at FVTPL	324,058	105,296
Other financial assets at amortised cost	523,878	164,927
Pledged deposits	32	17,454
Cash and cash equivalents	1,486,920	2,701,370
Total current assets	<u>3,806,706</u>	<u>4,146,892</u>
CURRENT LIABILITIES		
Trade and bills payables	552,158	564,125
Other payables and accruals	582,759	577,102
Due to related parties	144,129	97,751
Payables to hospitals sponsored by the Group (the “Sponsored Hospitals”)	217,361	217,717
Interest-bearing bank and other borrowings	1,684,401	684,301
Lease liabilities	17,090	19,398
Tax payable	41,027	46,792
Deferred income	817	—
Total current liabilities	<u>3,239,742</u>	<u>2,207,186</u>

	June 30, 2021 (Unaudited) RMB'000	December 31, 2020 (Audited) RMB'000
NET CURRENT ASSETS	<u>566,964</u>	<u>1,939,706</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>7,086,770</u>	<u>6,756,007</u>
NON-CURRENT LIABILITIES		
Lease liabilities	44,569	46,775
Retirement benefit obligations	45,963	47,323
Deferred tax liabilities	372,382	317,615
Provision	272	3,840
Deferred income	2,996	—
Total non-current liabilities	<u>466,182</u>	<u>415,553</u>
Net assets	<u>6,620,588</u>	<u>6,340,454</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	267	267
Reserves	<u>6,219,585</u>	<u>6,105,189</u>
	<u>6,219,852</u>	<u>6,105,456</u>
Non-controlling interests	<u>400,736</u>	<u>234,998</u>
Total equity	<u>6,620,588</u>	<u>6,340,454</u>

NOTES

1. CORPORATE INFORMATION

China Resources Medical Holdings Company Limited (the “**Company**”) 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 period, 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 interim condensed consolidated financial information of the Group for the six months ended June 30, 2021 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2020.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for financial assets at FVTPL which have been measured at fair value. The financial information is 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 accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform — Phase 2

*Covid-19-Related Rent Concessions beyond
June 30, 2021 (early adopted)*

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate (“**LIBOR**”) as at June 30, 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on January 1, 2021. Since the Group did not receive any rent concession from the lessors during the period ended 30 June 2021, the amendment did not have any impact on the financial position and performance of the Group.

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) Consolidated hospitals — this segment engages in the provision of out-patient and in-patient services;
- (b) Unconsolidated hospitals — this segment engages in the provision of services to the unconsolidated hospitals;
- (c) IOT/operate-transfer (“OT”) hospitals — this segment engages in the provision of services to IOT hospitals and OT hospitals; 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 fair value gains/losses on financial assets at FVTPL, dividend income on a financial asset at FVTPL, gain on bargain purchase, investment income on financial assets at FVTPL, investment income on other financial assets at amortised cost, unallocated interest and investment income, unallocated impairment losses on financial assets, net, equity-settled share-based payment expense, unallocated finance costs, foreign exchange differences, net, unallocated share of profits and losses of a joint venture and associates as well as other unallocated income, other unallocated administrative expenses, other unallocated expenses and losses are excluded from such measurement.

Segment assets exclude goodwill, financial assets at FVTPL, other financial assets at amortised cost, cash and cash equivalents and pledged deposits 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.

The following is an analysis of the Group’s revenue and results, and assets and liabilities by reportable and operating segments.

Segment revenue and results

	Consolidated hospitals (Unaudited) RMB'000	Unconsolidated hospitals (Unaudited) RMB'000	IOT/OT hospitals (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Six months ended June 30, 2021					
External revenue					
General healthcare services	1,138,886	—	—	—	1,138,886
Hospital management services	—	28,532	19,396	—	47,928
Third-party supply chain service fees	17,146	61,315	19,757	—	98,218
GPO business	—	321,295	153,106	—	474,401
Other hospital-derived services	—	—	—	12,690	12,690
Inter-segment revenue					
Hospital management services	38,012	—	—	—	38,012
GPO business	120,347	—	—	—	120,347
Other hospital-derived services	1,752	—	—	2,237	3,989
Segment revenue	<u>1,316,143</u>	<u>411,142</u>	<u>192,259</u>	<u>14,927</u>	<u>1,934,471</u>
Eliminations	<u>(160,111)</u>	<u>—</u>	<u>—</u>	<u>(2,237)</u>	<u>(162,348)</u>
Consolidated revenue	<u>1,156,032</u>	<u>411,142</u>	<u>192,259</u>	<u>12,690</u>	<u>1,772,123</u>
Segment cost	(952,553)	(277,960)	(133,842)	(13,194)	(1,377,549)
Other income	9,632	—	4,615	6,283	20,530
Selling and distribution expenses	(1,632)	(4,419)	(1,901)	—	(7,952)
Administrative expenses	(95,731)	(17,152)	(11,760)	(2,863)	(127,506)
Finance costs	(1,144)	—	—	(33)	(1,177)
Reversal of impairment losses on financial assets, net	1,012	—	—	—	1,012
Other expenses	(1,008)	—	—	(131)	(1,139)
Share of profit of a joint venture	—	630	—	—	630
Share of profits of associates	—	42,504	—	—	42,504
Segment results	<u>114,608</u>	<u>154,745</u>	<u>49,371</u>	<u>2,752</u>	<u>321,476</u>
Fair value losses on financial assets at FVTPL					(21,876)
Dividend income on a financial asset at FVTPL					2,795
Investment income on financial assets at FVTPL					7,294
Investment income on other financial assets at amortised cost					7,394
Unallocated interest and investment income					15,744
Unallocated impairment losses on financial assets, net					(216)
Equity-settled share-based payment expense					(5,104)
Unallocated finance costs					(4,701)
Foreign exchange differences, net					2,100
Unallocated share of profit of an associate					580
Other unallocated income					940
Other unallocated administrative expenses					(56,275)
Other unallocated expenses					(9)
Profit before tax					<u>270,142</u>

	Consolidated hospitals (Unaudited) RMB'000	Unconsolidated hospitals (Unaudited) RMB'000	IOT/OT hospitals (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Six months ended June 30, 2020					
External revenue					
General healthcare services	428,687	—	—	—	428,687
Hospital management services	—	20,980	36,608	—	57,588
Third-party supply chain service fees	9,722	31,459	50,729	—	91,910
GPO business	—	43,489	271,288	—	314,777
Other hospital-derived services	—	—	—	14,451	14,451
Inter-segment revenue					
Hospital management services	14,702	—	—	—	14,702
GPO business	60,971	—	—	—	60,971
Other hospital-derived services	796	—	—	1,598	2,394
Segment revenue	<u>514,878</u>	<u>95,928</u>	<u>358,625</u>	<u>16,049</u>	<u>985,480</u>
Eliminations	<u>(76,469)</u>	<u>—</u>	<u>—</u>	<u>(1,598)</u>	<u>(78,067)</u>
Consolidated revenue	<u>438,409</u>	<u>95,928</u>	<u>358,625</u>	<u>14,451</u>	<u>907,413</u>
Segment cost	(374,268)	(40,004)	(241,151)	(6,667)	(662,090)
Other income	3,393	—	4,794	2,748	10,935
Other losses	(182)	—	—	—	(182)
Selling and distribution expenses	(1,030)	(1,692)	(3,350)	—	(6,072)
Administrative expenses	(43,141)	(6,393)	(14,038)	(2,888)	(66,460)
Impairment losses on financial assets, net	(6,622)	—	—	—	(6,622)
Other expenses	<u>(290)</u>	<u>—</u>	<u>—</u>	<u>(19)</u>	<u>(309)</u>
Segment results	16,269	47,839	104,880	7,625	176,613
Fair value gains on financial assets at FVTPL					2,124
Dividend income on a financial asset at FVTPL					2,618
Gain on bargain purchase					9,428
Investment income on financial assets at FVTPL					18,510
Unallocated interest and investment income					6,294
Unallocated impairment losses on financial assets, net					(47)
Equity-settled share-based payment expense					(3,181)
Finance costs					(9,343)
Foreign exchange differences, net					(10,205)
Share of profit of a joint venture					409
Share of losses of associates					(5)
Other unallocated income					422
Other unallocated administrative expenses					(37,354)
Other unallocated expenses					<u>(92)</u>
Profit before tax					<u>156,191</u>

Segment assets and liabilities

	Consolidated hospitals (Unaudited) <i>RMB'000</i>	Unconsolidated hospitals (Unaudited) <i>RMB'000</i>	IOT/OT hospitals (Unaudited) <i>RMB'000</i>	Others (Unaudited) <i>RMB'000</i>	Total (Unaudited) <i>RMB'000</i>
As at June 30, 2021					
Segment assets	<u>2,298,312</u>	<u>3,149,097</u>	<u>474,074</u>	<u>74,886</u>	<u>5,996,369</u>
Goodwill					1,721,211
Financial assets at FVTPL					395,098
Other financial assets at amortised cost					675,480
Cash and cash equivalents and pledged deposits					1,486,952
Corporate and other unallocated assets					371,813
Elimination of inter-segment receivables					<u>(320,411)</u>
Total assets					<u>10,326,512</u>
Segment liabilities	<u>1,161,569</u>	<u>226,558</u>	<u>22,887</u>	<u>66,215</u>	<u>1,477,229</u>
Interest-bearing bank borrowings					1,663,511
Corporate and other unallocated liabilities					885,595
Elimination of inter-segment payables					<u>(320,411)</u>
Total liabilities					<u>3,705,924</u>

	Consolidated hospitals <i>RMB'000</i>	Unconsolidated hospitals <i>RMB'000</i>	IOT/OT hospitals <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2020					
Segment assets	<u>1,507,956</u>	<u>2,026,513</u>	<u>731,302</u>	<u>70,173</u>	<u>4,335,944</u>
Goodwill					1,471,868
Financial assets at FVTPL					198,014
Other financial assets at amortised cost					265,022
Cash and cash equivalents and pledged deposits					2,718,824
Corporate and other unallocated assets					270,755
Elimination of inter-segment receivables					<u>(297,234)</u>
Total assets					<u><u>8,963,193</u></u>
Segment liabilities	<u>1,025,537</u>	<u>217,659</u>	<u>22,602</u>	<u>71,324</u>	<u>1,337,122</u>
Interest-bearing bank borrowings					684,301
Corporate and other unallocated liabilities					898,550
Elimination of inter-segment payables					<u>(297,234)</u>
Total liabilities					<u><u>2,622,739</u></u>

4. REVENUE

Disaggregated revenue information

For the six months ended June 30, 2021

	General healthcare services (Unaudited) RMB'000	Hospital management services (Unaudited) RMB'000	GPO business (Unaudited) RMB'000	Other hospital- derived services (Unaudited) RMB'000	Elimination (Unaudited) RMB'000	Total (Unaudited) RMB'000
Types of goods or services						
General healthcare services						
In-patient	528,957	—	—	—	—	528,957
Out-patient	609,929	—	—	—	—	609,929
	<u>1,138,886</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,138,886</u>
Hospital management services						
From consolidated hospitals	—	38,012	—	—	(38,012)	—
From unconsolidated hospitals	—	28,532	—	—	—	28,532
From IOT hospitals	—	8,394	—	—	—	8,394
From OT hospitals	—	11,002	—	—	—	11,002
From third party suppliers (note)	—	98,218	—	—	—	98,218
	<u>—</u>	<u>184,158</u>	<u>—</u>	<u>—</u>	<u>(38,012)</u>	<u>146,146</u>
GPO business						
From consolidated hospitals	—	—	120,347	—	(120,347)	—
From unconsolidated hospitals	—	—	321,295	—	—	321,295
From IOT hospitals	—	—	153,106	—	—	153,106
	<u>—</u>	<u>—</u>	<u>594,748</u>	<u>—</u>	<u>(120,347)</u>	<u>474,401</u>
Other hospital-derived services						
	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,679</u>	<u>(3,989)</u>	<u>12,690</u>
Total	<u><u>1,138,886</u></u>	<u><u>184,158</u></u>	<u><u>594,748</u></u>	<u><u>16,679</u></u>	<u><u>(162,348)</u></u>	<u><u>1,772,123</u></u>
Timing of revenue recognition						
A point in time	609,929	—	594,748	16,679	(124,336)	1,097,020
Over time	528,957	184,158	—	—	(38,012)	675,103
	<u>609,929</u>	<u>184,158</u>	<u>594,748</u>	<u>16,679</u>	<u>(124,336)</u>	<u>1,097,020</u>
	<u>528,957</u>	<u>184,158</u>	<u>—</u>	<u>—</u>	<u>(38,012)</u>	<u>675,103</u>
Total	<u><u>1,138,886</u></u>	<u><u>184,158</u></u>	<u><u>594,748</u></u>	<u><u>16,679</u></u>	<u><u>(162,348)</u></u>	<u><u>1,772,123</u></u>

For the six months ended June 30, 2020

	General healthcare services (Unaudited) RMB'000	Hospital management services (Unaudited) RMB'000	GPO business (Unaudited) RMB'000	Other hospital- derived services (Unaudited) RMB'000	Elimination (Unaudited) RMB'000	Total (Unaudited) RMB'000
Types of goods or services						
General healthcare services						
In-patient	203,566	—	—	—	—	203,566
Out-patient	225,121	—	—	—	—	225,121
	<u>428,687</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>428,687</u>
Hospital management services						
From consolidated hospitals	—	14,702	—	—	(14,702)	—
From unconsolidated hospitals	—	20,980	—	—	—	20,980
From IOT hospitals	—	32,009	—	—	—	32,009
From an OT hospital	—	4,599	—	—	—	4,599
From third party suppliers (note)	—	91,910	—	—	—	91,910
	<u>—</u>	<u>164,200</u>	<u>—</u>	<u>—</u>	<u>(14,702)</u>	<u>149,498</u>
GPO business						
From consolidated hospitals	—	—	60,971	—	(60,971)	—
From unconsolidated hospitals	—	—	43,489	—	—	43,489
From IOT hospitals	—	—	271,170	—	—	271,170
From an OT hospital	—	—	118	—	—	118
	<u>—</u>	<u>—</u>	<u>375,748</u>	<u>—</u>	<u>(60,971)</u>	<u>314,777</u>
Other hospital-derived services						
	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,845</u>	<u>(2,394)</u>	<u>14,451</u>
Total	<u>428,687</u>	<u>164,200</u>	<u>375,748</u>	<u>16,845</u>	<u>(78,067)</u>	<u>907,413</u>
Timing of revenue recognition						
A point in time	225,121	—	375,748	16,845	(63,365)	554,349
Over time	203,566	164,200	—	—	(14,702)	353,064
Total	<u>428,687</u>	<u>164,200</u>	<u>375,748</u>	<u>16,845</u>	<u>(78,067)</u>	<u>907,413</u>

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"). 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

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest and investment income on:		
Financial assets at FVTPL	7,294	18,510
Other financial assets at amortised cost	7,394	—
Receivables from IOT hospitals	4,615	4,794
Bank deposits	14,573	5,110
Loan to a sponsored hospital	1,171	1,184
Dividend income on a financial asset at FVTPL	2,795	2,618
Others	16,855	6,563
	<u>54,697</u>	<u>38,779</u>

6. OTHER GAINS AND LOSSES, NET

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fair value gains/(losses) on financial assets at FVTPL	(21,876)	2,124
Gain on bargain purchase	—	9,428
Foreign exchange differences, net	2,100	(10,205)
Loss on disposal of items of property, plant and equipment, net	—	(182)
	<u>(19,776)</u>	<u>1,165</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	924,993	489,912
Depreciation of property, plant and equipment	54,546	33,015
Depreciation of right-of-use assets	9,907	6,505
Amortisation of intangible assets (included in cost of sales)	3,838	8,003
Total depreciation and amortisation	68,291	47,523
Impairment/(reversal of impairment) of trade receivables, net	(803)	6,544
Impairment of financial assets included in prepayments, deposits and other receivables	—	125
Impairment of amounts due from related parties	7	—

8. INCOME TAX

The PRC enterprise income tax has been provided at the rate of 25% (six months ended June 30, 2020: 25%) on the estimated assessable income arising in the PRC during the period. 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 period (six months ended June 30, 2020: Nil).

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — Mainland China	65,061	43,727
Deferred	(244)	2,244
Total tax charge for the period	64,817	45,971

9. DIVIDEND

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividend recognised as distribution during the period:		
Final 2020 — HK8.82 cents (2019: HK10 cents) per ordinary share	94,054	119,218
Less: Dividend for shares held under the Share Award Scheme	(2,978)	(4,126)
	<u>91,076</u>	<u>115,092</u>

The directors do not recommend the payment of an interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: Nil).

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

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

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to ordinary equity holders of the parent for the purpose of the basic and diluted earnings per share calculation	<u>199,315</u>	<u>107,753</u>

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period for the purpose of the basic earnings per share calculation	1,255,952	1,257,582
Effect of dilution — weighted average number of ordinary shares:		
Shares awarded under the Share Award Scheme	<u>7,117</u>	<u>2,814</u>
Weighted average number of ordinary shares in issue during the period for the purpose of the diluted earnings per share calculation	<u>1,263,069</u>	<u>1,260,396</u>

The weighted average number of shares used for the purpose of calculating the basic and diluted earnings per share for the six months ended June 30, 2021 and 2020 has been arrived at after adjusting the effect of shares repurchased and held under the Share Award Scheme.

11. TRADE AND BILLS RECEIVABLES

	June 30,	December 31,
	2021	2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Trade and bills receivables	976,756	644,080
Impairment	<u>(133,432)</u>	<u>(25,977)</u>
	<u>843,324</u>	<u>618,103</u>

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 and bills receivable balances. Trade and bills receivables are non-interest-bearing.

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

	June 30, 2021 (Unaudited) RMB'000	December 31, 2020 (Audited) RMB'000
Within 1 year	603,550	540,565
1 to 2 years	127,798	75,382
2 to 3 years	88,747	2,156
Over 3 years	23,229	—
	843,324	618,103

12. TRADE AND BILLS PAYABLES

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

	June 30, 2021 (Unaudited) RMB'000	December 31, 2020 (Audited) RMB'000
Within 60 days	268,039	347,108
61 to 180 days	234,456	186,274
Over 180 days	49,663	30,743
	552,158	564,125

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

13. BUSINESS COMBINATION

On 28 March 2021, the Group entered into a share purchase agreement with independent third parties to acquire 100% equity interest in Sinophi China Hospitals Limited (“**Sinophi Hospitals**”) for a consideration of RMB894,293,000. Sinophi Hospitals indirectly holds 80% equity interest in Huai’an City Huaiyin Hospital Company Limited (“**Huaiyin Hospital**”). Sinophi Hospitals and its subsidiaries (collectively, the “**Sinophi Hospitals Group**”) are principally engaged in the provision of general healthcare services.

On 17 June 2021, 99.19% equity interest in Sinophi Hospitals was transferred to the Group and the remaining 0.81% equity interest in Sinophi Hospitals (the “**Remaining Shares**”) were pledged in favour of the Group. The Remaining Shares will be transferred to the Group and the Group will pay the consideration for the Remaining Shares of RMB7,232,000 to the sellers on the fifth business day after the assignment, transfer or grant to the Group of the cooperation agreement entered into between the sellers and Huaiyin District Government (the “**Cooperation Agreement Assignment**”). If the Cooperation Agreement Assignment does not occur on or before the first anniversary of the closing date of the acquisition (i.e. 17 June 2021), the consideration for the Remaining Shares will be adjusted to RMB5,063,000 (i.e. 70% of RMB7,232,000).

The major assets acquired through this acquisition include, amongst others, property, plant and equipment, right-of-use assets, financial assets at FVTPL, trade receivables, and cash and cash equivalents. Accordingly, the Group has initially recognised identifiable net assets of RMB806,192,000 and goodwill of RMB249,343,000 in accordance with IFRS 3 (Revised) *Business Combinations*. The fair values of the identifiable net assets and the carrying amount of goodwill of the above acquisition as at the date of acquisition are provisional amounts and are subject to the finalisation of the initial accounting for the business combination.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The consolidated revenue of the Group for the six months ended June 30, 2021 amounted to RMB1,772 million (same period of last year: RMB907 million), and net profit for the period amounted to RMB205 million (same period of last year: RMB110 million). Earnings per share of the Company amounted to RMB0.16 (same period of last year: RMB0.09). Such increase was mainly attributable to the effective prevention and control of the COVID-19 epidemic in China, leading to the satisfactory recovery of the business operation of the member hospitals of the Group during the Reporting Period, thus allowing most of the member hospitals recorded a better year-on-year growth in their business volume, revenue and operating results that the overall number of out-patients and in-patients respectively increased by 50.5% and 36.8%, and medical business revenue of our member hospitals recorded a year-on-year increase of 39.8%.

Acquisition of Huaiyin Hospital

On March 28, 2021, JH Management Company Limited (a wholly-owned subsidiary of the Company, as the buyer) entered into a share purchase agreement with Renfang Medical Holdings Ltd. and Sinophi Healthcare Limited (as the sellers), the shareholders of Renfang Medical Holdings Ltd. and Sinophi China Hospitals Limited (i.e. the target company). Pursuant to such share purchase agreement, JH Management Company Limited conditionally agreed to acquire and the sellers conditionally agreed to dispose of approximately 99.19% shareholding interest in the target company at a consideration of approximately RMB880 million. The target company is indirectly holding 80% equity interest in Huaiyin Hospital, and the latter is a for-profit general hospital located in Huai'an City, Jiangsu Province, the PRC with the scale of around 1,190 operating beds. The abovementioned acquisition has been completed on June 17, 2021. As at the end of the Reporting Period, the financial statements of Huaiyin Hospital have been consolidated to the Group.

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

As of June 30, 2021, the Group managed and operated a total of 123 medical institutions in 8 provinces and cities in the PRC. During the Reporting Period, the number of out-patient visits and in-patient visits of our in-network hospitals were approximately 4,739,000 and 128,000, respectively.

Province/City	Grade III Hospitals	Grade II Hospitals	Grade I Hospitals and Community Centres	Clinics & other Medical Institutions	Total
Beijing	1	5	11	29	46
Shandong	—	3	2	13	18
Shanxi	—	1	—	—	1
Jiangsu	—	2	—	—	2
Anhui	1	6	16	6	29
Hubei	2	—	3	15	20
Guangdong	1	1	—	2	4
Guangxi	—	1	1	1	3
Total	<u>5</u>	<u>19</u>	<u>33</u>	<u>66</u>	<u>123</u>

Operating data for 2021H1

Type	Number of beds in operation	Utilization rate of beds	Number of patients		Revenue from medical business (RMB'000)			Total
			Number of out-patients	Number of in-patients	Revenue from out-patient visits	Revenue from in-patient visits	Revenue from physical examination	
Self-owned Hospitals ^(Note)	9,293	75.0%	3,315,393	108,626	1,345,877	1,667,830	39,882	3,053,589
IOT/OT Hospitals	<u>1,804</u>	<u>53.7%</u>	<u>1,423,253</u>	<u>19,644</u>	<u>438,646</u>	<u>260,471</u>	<u>24,442</u>	<u>723,559</u>
Subtotal	<u>11,097</u>	<u>71.6%</u>	<u>4,738,646</u>	<u>128,270</u>	<u>1,784,523</u>	<u>1,928,301</u>	<u>64,324</u>	<u>3,777,148</u>

Operating data for 2020H1

Type	Number of beds in operation	Utilization rate of beds	Number of patients		Revenue from medical business (RMB'000)			Total
			Number of out-patients	Number of in-patients	Revenue from out-patient visits	Revenue from in-patient visits	Revenue from physical examination	
Self-owned Hospitals ^(Note)	7,460	56.7%	1,777,365	69,702	649,722	926,482	26,008	1,602,212
IOT/OT Hospitals	<u>3,412</u>	<u>58.0%</u>	<u>1,371,575</u>	<u>24,059</u>	<u>663,957</u>	<u>429,930</u>	<u>6,351</u>	<u>1,100,238</u>
Subtotal	<u>10,872</u>	<u>57.1%</u>	<u>3,148,940</u>	<u>93,761</u>	<u>1,313,679</u>	<u>1,356,412</u>	<u>32,359</u>	<u>2,702,450</u>

Note:

In respect of the operating data statistics, the abovementioned self-owned hospitals refers to all consolidated hospitals and unconsolidated hospitals of the Group.

Financial data

Financial data for 2021H1

2021H1 RMB'000	Total	Segment results				Administrative expenses	Other gains and expenses
		Consolidated Hospitals	Unconsolidated Hospitals	IOT/OT Hospitals	Other derived businesses		
Revenue from goods and services	1,772,123	1,156,032	411,142	192,259	12,690	—	—
Cost of sales and services	(1,377,549)	(952,553)	(277,960)	(133,842)	(13,194)	—	—
Other income	20,530	9,632	—	4,615	6,283	—	—
Selling and distribution expenses	(7,952)	(1,632)	(4,419)	(1,901)	—	—	—
Administrative expenses	(127,506)	(95,731)	(17,152)	(11,760)	(2,863)	—	—
Finance costs	(1,177)	(1,144)	—	—	(33)	—	—
Impairment losses on financial and contract assets, net	1,012	1,012	—	—	—	—	—
Other expenses	(1,139)	(1,008)	—	—	(131)	—	—
Share of profit of joint ventures/associates	43,134	—	43,134	—	—	—	—
Segment results	321,476	114,608	154,745	49,371	2,752	N/A	N/A
Headquarters operating expenses	(61,379)	—	—	—	—	(61,379)	—
Other profit or loss	14,166	—	—	—	—	—	14,166
Finance costs	(4,701)	—	—	—	—	—	(4,701)
Share of profit of an associate	580	—	—	—	—	—	580
Income tax	(64,817)	—	—	—	—	—	(64,817)
Net profit or loss	205,325	114,608	154,745	49,371	2,752	(61,379)	(54,772)
Revenue from medical business <i>(Notes)</i>	3,777,148	1,138,886	1,914,703	723,559	—	N/A	N/A

Notes:

During the Reporting Period:

- (1) Consolidated hospitals include: Jian Gong Hospital, Jinan Zhong Qi Hospital, Huaikuang Hospital Group and the Runneng Hospitals.
- (2) Unconsolidated hospitals include: Guangdong 999 Brain Hospital, Huaibei City Mental Health Center, Xukuang Hospital, Wugang Hospital Group and Jing Mei Hospital Group.
- (3) IOT hospitals include: Mentougou Hospital, Mentougou Traditional Chinese Medicine Hospital, Mentougou Hospital for Women and Children, Shunyi District Konggang Hospital and the Second Hospital of Shunyi District.
- (4) OT hospitals include: Tai'an City Hospital, Yantai Zhifu Hospital and Yuenianhua Nanning Rehabilitation Hospital (since March 2021).

Financial data for 2020H1

2020H1 RMB'000	Total	Segment results				Administrative expenses	Other gains and expenses
		Consolidated hospitals	Unconsolidated hospitals	IOT/OT hospitals	Other derived businesses		
Revenue from goods and services	907,413	438,409	95,928	358,625	14,451	—	—
Cost of sales and services	(662,090)	(374,268)	(40,004)	(241,151)	(6,667)	—	—
Other income	10,935	3,393	—	4,794	2,748	—	—
Other gains and losses	(182)	(182)	—	—	—	—	—
Selling and distribution expenses	(6,072)	(1,030)	(1,692)	(3,350)	—	—	—
Administrative expenses	(66,460)	(43,141)	(6,393)	(14,038)	(2,888)	—	—
Impairment losses on financial and contract assets, net	(6,622)	(6,622)	—	—	—	—	—
Other expenses	(309)	(290)	—	—	(19)	—	—
Segment results	176,613	16,269	47,839	104,880	7,625	N/A	N/A
Headquarters operating expenses	(40,535)	—	—	—	—	(40,535)	—
Other profit or loss	29,052	—	—	—	—	—	29,052
Finance costs	(9,343)	—	—	—	—	—	(9,343)
Share of profit of joint ventures/associates	404	—	—	—	—	—	404
Income tax	(45,971)	—	—	—	—	—	(45,971)
Net profit or loss	<u>110,220</u>	<u>16,269</u>	<u>47,839</u>	<u>104,880</u>	<u>7,625</u>	<u>(40,535)</u>	<u>(25,858)</u>
Revenue from medical business (Note)	<u>2,702,450</u>	<u>428,687</u>	<u>1,173,525</u>	<u>1,100,238</u>	<u>—</u>	<u>N/A</u>	<u>N/A</u>

Notes:

During the six months ended June 30, 2020:

- (1) Consolidated hospitals include: Jian Gong Hospital, Jinan Zhong Qi Hospital (since April 2020), Huaikuang Hospital Group (since May 2020) and the Runneng Hospitals (since June 2020).
- (2) Unconsolidated hospitals include: Guangdong 999 Brain Hospital, Huaibei City Mental Health Center (since January 2020), Xukuang Hospital, Wugang Hospital Group, Jinan Zhong Qi Hospital (January 2020 to March 2020), Huaikuang Hospital Group (January 2020 to April 2020) and the Runneng Hospitals (January 2020 to May 2020).
- (3) IOT hospitals include: 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.

Segment Results

In the first half of 2021, the aggregated results of all segments amounted to about RMB321 million, which increased by approximately 82.0% as compared with the same period of the previous year, and is mainly due to the effective control of COVID-19 epidemic of clinic, leading to satisfactory recovery of operation and growth in revenue of the member hospitals of the Group.

Segment Results — Consolidated Hospitals

During the Reporting Period, the medical business revenue of the consolidated hospital segment increased by 165.7% year-on-year to approximately RMB1.14 billion and the segment results also recorded an increase of 604.5% to approximately RMB115 million. Such growth in revenue and segment profit are mainly due to: the satisfactory recovery of the operation of the consolidated hospitals when the COVID-19 epidemics has been effectively controlled in China; also since Jinan Zhong Qi Hospital has completed its for-profit reform in 2020 and since then its financial statements have been consolidated into the Group's financial statements, and the financial results of the Huaikang Hospital Group and the Run Neng Hospitals have also been consolidated to the Group respectively since May and June 2020, which contributed to the segment results as well.

Consolidated Hospitals	2021H1 <i>RMB'000</i>	2020H1 <i>RMB'000</i>	Year-on-Year Change	
			<i>RMB'000</i>	%
Revenue from medical business	1,138,886	428,687	710,199	165.7%
General healthcare services	82,813	1,521	81,292	5,344.6%
Third-party supply chain service fees	17,146	9,722	7,424	76.4%
GPO gross profit	20,058	12,799	7,259	56.7%
Profit contribution	120,017	24,042	95,975	399.2%
Operating expenses and other profit or loss	(5,409)	(7,773)	2,364	-30.4%
Segment results	114,608	16,269	98,339	604.5%
Segment profit margin	10.1%	3.8%	6.3ppt	

Segment Results — Unconsolidated Hospitals

During the Reporting Period, the overall medical business revenue of the unconsolidated hospital segment increased by 63.2% year-on-year to approximately RMB1.91 billion, while segment profit recorded a year-on-year increase of 223.5% to approximately RMB155 million. Since January 2021, Jing Mei Hospital has been reclassified from the original IOT hospital segment to the unconsolidated hospitals segment due to the completion of change of sponsorship holding entity, and its contribution in revenue and segment profit during the Reporting Period were RMB820 million and RMB69.4 million, respectively.

CR Hospital Holdings, a wholly-owned subsidiary of the Company, entered into the restructuring agreement with Jing Mei Group in respect of Jing Mei Hospital and its branches on June 28, 2020 and pursuant to which CR Hospital Holdings and Jing Mei Group agreed to establish a sponsorship joint venture and a management joint venture. Such joint ventures shall be owned as to 49% by CR Hospital Holdings and 51% by Jing Mei Group. The contract parties also agreed that Jing Mei Group, the management joint venture and Jing Mei Hospital shall enter into a new OT agreement on terms similar to the original IOT agreement in order to replace the latter, and pursuant to which the management joint venture shall provide hospital management services to the Jing Mei Hospital Group and receive management fee income accordingly. The abovementioned original IOT agreement was then terminated with retrospective effect from December 31, 2019, whilst the new OT agreement retrospectively became effective on January 1, 2020.

Unconsolidated Hospitals	2021H1 RMB'000	2020H1 RMB'000	Year-on-Year Change	
			RMB'000	%
Revenue from medical business	1,914,703	1,173,525	741,178	63.2%
Hospital management services fees	29,899	20,980	8,919	42.5%
Third-party supply chain service fees	81,149	31,459	49,690	158.0%
GPO gross profit	56,581	4,371	52,210	1,194.5%
Profit contribution	167,629	56,810	110,819	195.1%
Operating expenses and other profit or loss	<u>(12,884)</u>	<u>(8,971)</u>	<u>(3,913)</u>	<u>43.6%</u>
Segment results	154,745	47,839	106,906	223.5%
Segment profit margin	<u>8.1%</u>	<u>4.1%</u>	<u>4.0ppt</u>	<u></u>

Segment Results — IOT/OT Hospitals

The IOT/OT hospital segment recorded respective decrease in medical business revenue and results of 34.2% and 52.9% year-on-year due to the reclassification of Jing Mei Hospital to the category of unconsolidated hospitals segment.

IOT/OT hospitals	2021H1	2020H1	Year-on-Year Change	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue from medical business	723,559	1,100,238	(376,679)	-34.2%
Hospital management services fees	19,396	36,608	(17,212)	-47.0%
Third-party supply chain service fees	19,756	50,729	(30,973)	-61.1%
GPO gross profit	31,319	47,512	(16,193)	-34.1%
Profit contribution	70,471	134,849	(64,378)	-47.7%
Operating expenses and other profit or loss	<u>(21,100)</u>	<u>(29,969)</u>	<u>8,869</u>	<u>-29.6%</u>
Segment results	49,371	104,880	(55,509)	-52.9%
Segment profit margin	<u>6.8%</u>	<u>9.5%</u>	<u>-2.7ppt</u>	<u></u>

Segment Results — Other derived businesses

During the Reporting Period, the segment results of the other derived businesses of the Group was approximately RMB2.75 million. The decrease in the result of this segment as compared to the corresponding period of the prior year was mainly due to the increase in costs of project development and operation.

Headquarters operating expenses

During the Reporting Period, the total operating expenses of the headquarters amounted to approximately RMB61 million (the same period of 2020: RMB40 million), accounting for 32.5% of the total administrative expenses of the Group (the corresponding period of 2020: 38.0%). Due to the impact of the epidemic in the first half of 2020, the operational activities of the headquarters have been reduced, and during the same period, our labor costs have also been reduced in response to the temporary social security relief policy in China. The relevant expenses during the Reporting Period have already resumed to normal level.

Other profit or loss

During the Reporting Period, other profit or loss of the Group totaled approximately RMB14 million (the corresponding period of 2020: approximately RMB29 million), which mainly included the income from bank financial products, and fair value losses of shares of UMP Healthcare Holdings as held by the Group and the exchange gains and losses.

Finance costs

During the Reporting Period, the finance costs of the Group amounted to approximately RMB5.9 million (among which, the unallocated finance costs amounted to approximately RMB4.7 million) (the corresponding period of 2020: approximately RMB9.3 million). The decrease in the finances costs was in line with the decrease in interest rate of our loans.

Income tax expense

During the Reporting Period, the Group's income tax expenses amounted to approximately RMB65 million (the same period in 2020: approximately RMB46 million). The effective income tax rate of the Group's recurring business was 24.0% (the same period in 2020: 29.4%).

Net profit

The Group recorded a net profit of RMB205 million, representing a year-on-year increase of 86.3%.

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

Investment in UMP Healthcare Holdings

UMP Healthcare Holdings, listed on the Main Board of The Stock Exchange (Stock code 722.HK), 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 categorised the investment in UMP Healthcare Holdings as financial assets at fair value through profit or loss. As at June 30, 2021, the fair value of the investment in UMP Healthcare Holdings was approximately RMB71 million.

Future Plans for Material Investment or Capital Assets

As at the date of this report, 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.

Outlook

During the second half of 2021, we will continue to focus on our core business in the provision of medical services, whilst continue to strengthen our advantageous specialties and cultivate six discipline clusters covering cardiovascular, encephalopathy, orthopedics, rehabilitation, gastroenterology and oncology and to build our brand name in these disciplines. We shall also optimise patient services and provide good patient experiences by improving our service system. We also aim at shaping benchmarks in the healthcare industry, promoting our brand name and introducing a standardised service system that can be easily duplicated in our member hospitals. In respect of the hospital operation, we shall improve our quality control and management system, and strengthen our safety management; on the other hand, we shall continue to improve operating efficiency and reduce the operating costs. Through merger and acquisitions and by expanding our existing hospitals, we shall maintain the “major specialties and strong general practice” strategy to develop leading hospitals in different regions in China.

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 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 June 30, 2021, the Group’s consolidated bank balances and cash, time deposits and bank financial products amounted to approximately RMB2.49 billion in total (December 31, 2020: RMB3.09 billion) which were primarily denominated in RMB.

As at June 30, 2021, the Group has obtained offshore revolving term loan facility of HK\$3.8 billion (or its equivalent in U.S. dollar or Renminbi). Among which, HK\$3 billion of the facilities is with no fixed term until further notice by the corresponding bank, whilst the remaining HK\$800 million is of the term of one year which shall be automatically renewed if the relevant bank does not notify otherwise. As at June 30, 2021, the Group had interest-bearing bank borrowings of US\$139 million and HK\$923 million (equivalent to approximately RMB1.664 billion) (December 31, 2020: HK\$799 million and RMB12 million (equivalent to approximately RMB684 million)), and unutilized bank facilities of HK\$1.801 billion (equivalent to approximately RMB1.498 billion). As at June 30, 2021, the Group’s offshore bank borrowings carried interests at floating rates, and all of them would be due within one year. As at June 30, 2021, the Group’s amounts payable to the sponsored hospitals of the Group amounted to RMB217 million (December 31, 2020: RMB218 million).

As at June 30, 2021, on the basis of interest-bearing liabilities (excluding payables to hospitals sponsored by the Group and lease liabilities) divided by total assets, the Group's gearing ratio was 16.3% (December 31, 2020: 7.6%). In addition, the carrying value of each of our wealth management products as at June 30, 2021 did not exceed 5% of the Group's total asset value.

Exposure to Fluctuation in Exchange Rates, the Interest Rate Risk 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 a certain extent. Please refer to the paragraph headed "Management Discussion and Analysis — Employees and Remuneration Policy" 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 June 30, 2021, 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 June 30, 2021, the Group did not have any material pledge of assets.

Employees and Remuneration Policy

As of June 30, 2021, the Group had a total of 6,097 full-time employees (December 31, 2020: 4,903 employees). The increase in the number of staff was mainly due to the completion of the acquisition of Huaiyin Hospital. For the six months ended June 30, 2021, the staff costs (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB471 million (2020H1: RMB205 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.

Contractual Obligations

As at June 30, 2021, the Group did not have any significant contractual obligations that would have a material effect on the financial position or operations of the Group.

Financial Instruments

The Group's major financial instruments include trade receivables, amounts due from related parties, receivables from IOT Hospitals, loan to a sponsored hospital, other receivables, financial assets at fair value through profit or loss, other financial assets at amortised cost, cash and bank balances, trade payables, amount due to related parties, payables to hospitals sponsored by the Group, other payables and borrowings. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

COMPLIANCE WITH THE CG CODE

The Company confirms that it has complied with all material code provisions of the CG Code contained in Appendix 14 to the Listing Rules during the Reporting Period.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with all Directors, the Company confirmed that all Directors complied with the Model Code throughout the period under review. Senior management, executives and staff who, because of their offices in the Company, are likely to possess inside information of the Company have also been requested to comply with the provisions of the Model Code and the Company confirmed that there was no incident of non-compliance of the Model Code by such employees throughout the Reporting Period.

OTHER INFORMATION

Yan Hua IOT Agreement Dispute

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, the court hearing was held on October 26, 2020 and the judgement is yet to be announced.

The Company will use its best endeavours and will take all appropriate actions to protect the interests of the Company and the Shareholders.

Please refer to the announcements published by the Company on January 15, 2019, January 21, 2019 and April 17, 2019 for more details.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the period under review and considered that they were prepared in compliance with the relevant accounting standards, the Listing Rules and the applicable legal requirements, and that the Company has made appropriate disclosure thereof.

In addition, the unaudited consolidated interim results of the Group for the period under review have been reviewed by the external auditors of the Company.

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

For the six months ended June 30, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (“**HKEx**”) at www.hkexnews.hk and of the Company at www.crmedical.hk respectively. The interim report of the Company for the six months ended June 30, 2021 will be despatched to each of the Shareholders of the Company and published on HKEx's and the Company's websites in due course.

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
“Award Shares”	such Shares awarded pursuant to the Share Award Scheme, the maximum number of which shall not exceed 5% of the total issued capital of the Company as at August 31, 2018 and 1% of the total number issued Shares to each of the Selected Participant as at August 31, 2018
“Board” or “Board of Directors”	the board of Directors of our Company
“BVI”	the British Virgin Islands
“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 “China Resources 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

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, or where the context requires, refers to China Resources Company Limited (中國華潤有限公司) (formerly known as China Resources National Corporation (中國華潤總公司))
“CR Healthcare Group”	China Resources Healthcare Group Limited, a company incorporated in Hong Kong with limited liability, and a subsidiary of CR Holdings
“CR Holdings”	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of China Resources Company Limited (中國華潤有限公司)
“CR Hospital Holdings”	China Resources Hospital Holdings Company* (華潤醫院控股有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary and a major investment and operation platform in medical sector of the Company
“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 director(s) of the Company
“Eligible Persons”	any of the (i) key management personnel including the Directors and senior management of the Group; (ii) employed experts as nominated by the Board; and (iii) core employees of the Group
“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
“Huaiyin Hospital”	Huai’an City Huaiyin Hospital Company Limited, a company established in the PRC with limited liability and a subsidiary of the Company
“Hubei Runkang”	Hubei Runkang Healthcare Management Company Limited, a company incorporated in the PRC with limited liability and a subsidiary of the Company
“IAS”	International Accounting Standards
“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
“Jinan Zhong Qi Hospital”	Jinan Zhong Qi Hospital Company Limited* (濟南重汽醫院有限公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of our Company, and its predecessor, CNHTC Hospital (中國重型汽車集團有限公司醫院), before its reform
“Jing Mei Group”	Beijing Jing Mei Group Company Limited* (北京京煤集團有限公司), a company established in the PRC with limited liability. Jing Mei Group is a wholly-owned subsidiary of Beijing Energy Holding Company Limited* (北京能源集團有限責任公司), which currently holds the entire interest in and the sponsorship of Jing Mei Hospital and its affiliated medical institutes
“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(s)”	third-party hospital(s) which the Group manages and operates under the OT model

“Reporting Period”	the period from January 1, 2021 to June 30, 2021
“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), Beijing CEEC Hospital Shuozhou Hospital* (北京中能建朔州醫院), Guangxi Hydropower Hospital* (廣西水電醫院) and Hefei Gaoxin District Changning Community Healthcare Center* (合肥高新區長寧社區衛生服務中心), Tiandong Street Dianchang Road Community Healthcare Center* (田東街道電廠路社區衛生服務中心), Gaoxin District Tianle Community Healthcare Center* (高新區天樂社區衛生服務中心), Gaoxin District Xingyuan Community Healthcare Center* (高新區興園社區衛生服務中心)
“Selected Participant(s)”	Eligible Persons selected by the Board in accordance with the terms of the Share Award Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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.HK)
“U.S. dollar” or “US\$”	United States dollar, the lawful currency of the United States of America

“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 purposes only.*

In this announcement, the terms “subsidiary” and “substantial shareholder” shall have the same meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

Beijing, August 25, 2021

As at the date of this announcement, the Board comprises Mr. SONG Qing, Mr. CHENG Libing, Ms. REN Yuan and Ms. FU Yanjun as executive Directors; Mr. WANG Yan as non-executive Director; 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.