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CR MEDICAL

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, 2018

FINANCIAL HIGHLIGHTS

	Year ended December 31,	
	2018	2017
	(RMB'000)	*(RMB'000)*
Revenue from goods and services	**2,059,478**	1,877,724
Profit for the year attributable to:		
Owners of the Company	**430,898**	421,034
Owners of the Company, net of non-recurring profit or loss and special expenditure	**430,898**	379,062
Earnings per share		
— basic *(RMB per share)*	**0.34**	0.33
— diluted *(RMB per share)*	**0.34**	0.33
Earnings per share net of non-recurring profit or loss and special expenditure		
— basic *(RMB per share)*	**0.34**	0.30
— diluted *(RMB per share)*	**0.34**	0.30
Proposed final dividend per share *(HK$ per share)*	**12 cents**	11 cents

Note: Non-recurring profit or loss for 2017 refers to relevant UMP Healthcare Holdings and UMP Beijing (collectively "**UMP Healthcare**") net gain of RMB41,972,000.

The board of directors (the "**Board**") of China Resources Medical Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

		For the year ended December 31,	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue from goods and services	4	**2,059,478**	1,877,724
Cost of sales and services		**(1,302,800)**	(1,209,487)
Gross profit		**756,678**	668,237
Other income	6	**72,910**	59,632
Other gains and losses	7	**(11,241)**	24,775
Selling and distribution expenses		**(19,888)**	(25,112)
Administrative expenses		**(203,542)**	(186,551)
Finance costs		**(7,701)**	(2,482)
Other expenses		**(420)**	(786)
Share of profit of associates		**54**	5,259
Share of profit of joint ventures		**2,093**	16,535
Profit before tax		**588,943**	559,507
Income tax expense	8	**(149,387)**	(129,812)
Profit for the year	9	**439,556**	429,695

		For the year ended December 31,	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (expense) of associates and a joint venture		**1,108**	(17,520)
Other comprehensive income (expense) for the year, net of income tax		**1,108**	(17,520)
Total comprehensive income for the year		**440,664**	412,175
Profit for the year attributable to			
Owners of the Company		**430,898**	421,034
Non-controlling interests		**8,658**	8,661
		439,556	429,695
Total comprehensive income attributable to			
Owners of the Company		**432,006**	403,514
Non-controlling interests		**8,658**	8,661
		440,664	412,175
Earnings per share			
— basic *(RMB yuan per share)*	10	**0.34**	0.33
— diluted *(RMB yuan per share)*	10	**0.34**	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2018

	Notes	As at December 31, 2018 RMB'000	As at December 31, 2017 RMB'000
Non-current assets			
Property, plant and equipment		**259,363**	256,602
Intangible assets		**2,095,640**	2,112,479
Receivables from invest-operate-transfer ("**IOT**") hospitals		**108,974**	110,566
Lease prepayments for land use right		**136,970**	140,345
Goodwill		**1,463,611**	1,463,611
Interests in associates		**23,741**	22,575
Interest in a joint venture		**508,526**	506,433
Loan to a sponsored hospital		**52,687**	50,312
Available-for-sale ("**AFS**") investments		**—**	137,406
Financial assets at fair value through profit or loss ("**FVTPL**")		**136,744**	—
		4,786,256	4,800,329
Current assets			
Contract assets		**9,464**	—
Inventories		**77,885**	38,597
Trade receivables	12	**498,506**	351,720
Prepayments and other receivables	13	**44,294**	42,295
Amounts due from related parties		**6,039**	88,928
Financial assets at FVTPL		**315,000**	659,852
Certificate of deposit		**57,863**	55,426
Bank balances and cash		**1,524,176**	877,054
		2,533,227	2,113,872
Current liabilities			
Trade payables	14	**224,082**	256,994
Other payables	15	**220,170**	189,641
Contract liabilities		**12,754**	—
Amounts due to related parties		**3,247**	7,260
Payables to hospitals sponsored by the Group (the "**Sponsored Hospitals**")		**254,876**	267,834
Borrowings		**490,672**	171,362
Tax liabilities		**71,472**	83,521
		1,277,273	976,612
Net current assets		**1,255,954**	1,137,260
Total assets less current liabilities		**6,042,210**	5,937,589

	Notes	As at December 31, 2018 RMB'000	As at December 31, 2017 RMB'000
Non-current liabilities			
Retirement benefit obligations		**16,017**	18,394
Deferred tax liability		**316,374**	317,627
		332,391	336,021
Net assets		**5,709,819**	5,601,568
Capital and reserves			
Share capital		**267**	267
Share premium		**6,180,977**	6,296,012
Reserves		**(591,746)**	(814,548)
Equity attributable to owners of the Company		**5,589,498**	5,481,731
Non-controlling interests		**120,321**	119,837
Total equity		**5,709,819**	5,601,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. GENERAL INFORMATION

China Resources Medical Holdings Company Limited (formerly known as China Resources Phoenix Healthcare Holdings Company Limited) (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on February 28, 2013. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since November 29, 2013. The registered office of the Company is 4th Floor, Harbour Place, 103 South Church Street, Grand Cayman KY1-1002, Cayman Islands, and its principal place of business is located at at E-825, No. 6 Taiping Street, Xicheng District, Beijing, the People's Republic of China (the "**PRC**"). The Company is an investment holding company.

The principal activities of the Company and its subsidiaries (the "**Group**") are the provision of general healthcare services, provision of hospital management, group purchasing organisation ("**GPO**") business and other hospital-derived services in Mainland China.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**").

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to IFRS 9 Prepayment Features with Negative Compensation in advance of the effective date, i.e. January 1, 2019.

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- providing general healthcare services,
- hospital management services,
- GPO business, and
- other hospital-derived services.

Summary of effects arising from initial application of IFRS 15

The transition to IFRS 15 has no material impact on the Group's accumulated losses at January 1, 2018.

The following adjustments were made to the amounts recognised in the Group's consolidated statement of financial position at January 1, 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at December 31, 2017**	**Reclassification**	**Remeasurement**	**Carrying amounts under IFRS 15 at January 1, 2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets					
Trade receivables	(a)	351,720	(42,623)	—	**309,097**
Contract assets	(a)	—	42,623	—	**42,623**
Current liabilities					
Other payables	(b)	189,641	(5,184)	—	**184,457**
Contract liabilities	(b)	—	5,184	—	**5,184**

Notes:

(a) At the date of initial application, unbilled revenue of RMB42,623,000 arising from management service contracts are conditional on the audited annual results of operations of the IOT hospitals and Sponsored Hospitals as stipulated in the contracts, and hence such balance was reclassified from trade receivables to contract assets.

(b) At the date of initial application, advances from customers of RMB5,184,000 mainly in respect of GPO business and other hospital-derived service previously included in other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at December 31, 2018, its consolidated statement of profit or loss and other comprehensive income and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Trade receivables	498,506	9,464	507,970
Contract assets	9,464	(9,464)	—
Current liabilities			
Other payables	220,170	12,754	232,924
Contract liabilities	12,754	(12,754)	—

Impact on the consolidated statement of profit or loss and other comprehensive income

The application IFRS 15 has no material impacts on the Group's consolidated statement of profit or loss and other comprehensive income for the current year.

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Increase in trade receivables	(200,904)	33,159	(167,745)
Decrease in contract assets	33,159	(33,159)	—
Increase in other payables	38,505	7,570	46,075
Increase in contract liabilities	7,570	(7,570)	—

2.2 IFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied IFRS 9 Financial Instruments, Amendments to IFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	Notes	**AFS investments** *RMB'000*	**Financial assets designated at FVTPL** *RMB'000*	**Financial assets at FVTPL required by IAS 39/ IFRS 9** *RMB'000*	**Trade receivables** *RMB'000*	**Contract assets** *RMB'000*
Closing balance at December 31, 2017 — IAS 39		137,406	659,852	—	351,720	—
Effect arising from initial application of IFRS 15		—	—	—	(42,623)	42,623
Effect arising from initial application of IFRS 9						
Reclassification						
From AFS	(a)	(137,406)	—	137,406	—	—
From designated at FVTPL	(b)	—	(659,852)	659,852	—	—
Opening balance at January 1, 2018		**—**	**—**	**797,258**	**309,097**	**42,623**

(a) AFS investments

From AFS equity investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity instruments of RMB137,406,000 were reclassified from AFS investments to financial assets at FVTPL.

(b) Financial assets designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for financial products and these financial assets are mandatorily measured at FVTPL under IFRS 9, because the contractual terms of these financial assets do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As a result, the fair value of these investments of RMB659,852,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

(c) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and amounts due from related parties arising from contracts with customers and contract assets. To measure the ECL, contract assets, trade receivables and amounts due from related parties arising from contracts with customers have been grouped based on shared credit risk characteristics and the day past due. The contract assets relate to unbilled services and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

ECL for other financial assets at amortised cost mainly comprise of receivables from IOT hospitals, loan to a sponsored hospital, other receivables, non-trade amounts due from related parties, certificate of deposit and bank balances are measured on 12-month ECL ("**12m ECL**") basis and there had been no significant increase in credit risk since initial recognition.

No material additional credit loss allowance is recognised against accumulated losses as at January 1, 2018.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	December 31, 2017	**IFRS 15**	**IFRS 9**	**January 1, 2018 (Restated)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
AFS investments	137,406	—	(137,406)	—
Financial assets at FVTPL	—	—	137,406	137,406
Current assets				
Trade receivables	351,720	(42,623)	—	309,097
Contract assets	—	42,623	—	42,623
Current Liabilities				
Other payables	189,641	(5,184)	—	184,457
Contract liabilities	—	5,184	—	5,184

Note:

For the purposes of reporting cash flows from operating activities under indirect method for the year ended December 31, 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2018 as disclosed above.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after January 1, 2019.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after January 1, 2021.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Lease, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE FROM GOODS AND SERVICES

A. For the year ended December 31, 2018

Disaggregation of revenue from contracts with customers

	For the year ended December 31, 2018					
Segments	**General healthcare services** *RMB'000*	**Hospital management services** *RMB'000*	**GPO business** *RMB'000*	**Other hospital-derived services** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Types of goods or service						
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 Tai'an City Hospital	—	4,245	—	—	—	4,245
From third party suppliers	—	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 market.

Note: The Group entered into the agreements with its third party suppliers for the joint development of a regional integrated pharmaceutical supply chain management system ("**Supply Chain Joint Development Agreement**"), which became effective from January 1, 2017. With Beijing Jian Gong Hospital Co., Ltd. (北京市健宮醫院有限公司) ("**Jian Gong Hospital**"), 999 Medical Clinic (Shenzhen) Co., Ltd. (三九醫療門診部(深圳)有限責任公司) ("**999 Clinic**") (collectively referred to as the "**For-profit Hospitals**"), two IOT hospital groups, one sponsored hospital group and one sponsored hospital as the main service targets, the Group provides supply chain management services to the suppliers and charge the suppliers supply chain management service fees mainly based on a percentage of relevant pharmaceutical purchases made by the hospitals mentioned above from the suppliers. The agreements will expire as at December 31, 2022 and December 31, 2019, respectively.

B. For the year ended December 31, 2017

An analysis of the Group's revenue for the year is as follows:

	For the year ended December 31, 2017
	RMB'000
General healthcare services	664,282
Hospital management services	
From IOT hospitals and Sponsored Hospitals	199,133
From third party suppliers	126,798
GPO business	857,720
Other hospital-derived services	29,791
	1,877,724

5. SEGMENT INFORMATION

The Board is identified as the chief operating decision maker (the "**CODM**") of the Group for the purposes of resources allocation and performance assessment. The CODM reviews operating results and financial information for each operating company separately. Accordingly, each operating company is identified as an operating segment. Certain operating companies are aggregated for segment reporting purpose after taking into account that those operating companies are operating in similar business model with similar target group of customers, similar methods used to distribute their products and under the same regulatory environment.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

(i) General healthcare services

(ii) Hospital management services

(iii) GPO business

(iv) Other hospital-derived services

Segment information about the Group's reportable segment is presented below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	General healthcare services *RMB'000*	**Hospital management services** *RMB'000*	**GPO business** *RMB'000*	**Other hospital-derived services** *RMB'000*	**Total** *RMB'000*
For year ended December 31, 2018					
External revenue	**712,607**	**452,368**	**863,974**	**30,529**	**2,059,478**
Inter-segment revenue	**—**	**—**	**194,846**	**1,059**	**195,905**
Segment revenue	**712,607**	**452,368**	**1,058,820**	**31,588**	**2,255,383**
Eliminations					**(195,905)**
Consolidated revenue					**2,059,478**
Segment results	**46,014**	**330,980**	**176,195**	**7,001**	**560,190**
Share of profit of associates					**54**
Share of profit of a joint venture					**2,093**
Gain from changes in fair value of financial assets at FVTPL					**4,992**
Dividends received from financial assets at FVTPL					**2,319**
Unallocated interest and investment income					**50,301**
Reversal of share-based payment expense					**5,314**
Finance costs					**(7,701)**
Foreign exchange loss					**(16,963)**
Other unallocated expense					**(11,656)**
Profit before tax					**588,943**

	General healthcare services *RMB'000*	Hospital management services *RMB'000*	GPO business *RMB'000*	Other hospital-derived services *RMB'000*	Total *RMB'000*
For year ended December 31, 2017					
External revenue	664,282	325,931	857,720	29,791	1,877,724
Inter-segment revenue	—	—	196,191	1,302	197,493
Segment revenue	664,282	325,931	1,053,911	31,093	2,075,217
Eliminations					(197,493)
Consolidated revenue					1,877,724
Segment results	47,308	214,070	205,182	20,678	487,238
Share of profit of associates					5,259
Unallocated share of profit of a joint venture					16,263
Loss on deemed disposal of UMP Healthcare (Beijing) Group Limited ("**UMP Beijing**")					(307)
Loss on partial disposal of UMP Healthcare Holdings Limited ("**UMP Healthcare Holdings**")					(3,114)
Gain on reclassification of interest in UMP Healthcare Holdings from associate to AFS investments					115,358
Dividend received from AFS investments					1,768
Impairment loss on AFS investments					(93,255)
Unallocated interest and investment income					36,752
Share-based payment expense					(5,151)
Finance costs					(2,482)
Foreign exchange gain					6,042
Other unallocated expense					(4,864)
Profit before tax					559,507

6. OTHER INCOME

	For the year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Interest and investment income on:		
financial assets at FVTPL	**44,611**	32,675
receivables from IOT hospitals	**13,747**	14,017
bank deposits	**5,690**	4,077
loan to a sponsored hospital	**2,375**	2,743
Dividend income on financial assets at FVTPL	**2,319**	—
Dividend income on AFS investments	**—**	1,768
Government grant	**—**	40
Others	**4,168**	4,312
	72,910	59,632

7. OTHER GAINS AND LOSSES

	For the year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Foreign exchange (loss) gain, net	**(16,963)**	6,042
Gain from changes in fair value of financial assets at FVTPL	**4,992**	—
Gain on disposal of a subsidiary	**2,355**	—
(Loss) gain on disposal of property, plant and equipment	**(1,560)**	51
Gain on reclassification of interest in UMP Healthcare Holdings from associate to AFS investments	**—**	115,358
Impairment loss of AFS investments	**—**	(93,255)
Loss on partial disposal of UMP Healthcare Holdings	**—**	(3,114)
Loss on deemed disposal of UMP Beijing	**—**	(307)
Impairment losses on trade receivables	**(65)**	—
	(11,241)	24,775

8. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

	For the year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax ("**EIT**")	**151,862**	131,065
Over provision in prior years	**(1,222)**	—
Deferred tax	**(1,253)**	(1,253)
Total income tax recognised in profit or loss	**149,387**	129,812

The PRC subsidiaries of the Group are subject to EIT at 25% during both years.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during both years.

9. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after charging:

	For the year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**48,589**	43,464
Amortisation of lease prepayments for land use right	**3,375**	3,375
Amortisation of intangible assets (Included in cost of sales and services)	**21,024**	19,883
Total depreciation and amortisation	**72,988**	66,722

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the year ended December 31,	
	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit for the purpose of basic and diluted earnings per share for the year attributable to owners of the Company	**430,898**	421,034
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(in thousands)*	**1,267,176**	1,277,695
Effect of dilutive potential ordinary shares:		
Non-vested shares under share award scheme ("**Scheme**") *(in thousands)*	**557**	2,738
Weighted average number of ordinary shares for the purpose of diluted earnings per share *(in thousands)*	**1,267,733**	1,280,433

The weighted average number of shares used for the purpose of calculating the basic earnings per share for the years ended December 31, 2018 and 2017 has been arrived at after adjusting the effect of shares repurchased and held by the Scheme.

11. DIVIDENDS

On May 31, 2018, a resolution was passed at the annual general meeting. The Company declared the final dividend of HK$11 cents per share in respect of the year ended December 31, 2017 with total dividends of approximately HK$142,634,000 (equivalent to approximately RMB116,725,000) to shareholders whose names appear on the register of members of the Company on June 19, 2018. The dividend was paid on July 20, 2018. The Computershare Hong Kong Trustee Limited (the "**Trustee**") holds the dividends of treasury share of approximately RMB1,690,000.

On June 16, 2017, a resolution was passed at the annual general meeting that the Company declared the final dividend of HK$6.3 cents per share in respect of the year ended December 31, 2016 with total dividends of approximately HK$81,691,000 (equivalent to approximately RMB70,899,000) to shareholders whose names appear on the register of members of the Company on June 27, 2017. The dividend was paid on July 28, 2017. The Trustee holds the dividends of treasury share of approximately RMB965,000.

Subsequent to the end of the reporting period, final dividend of HK$12 cents per share in respect of the year ended December 31, 2018 was proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

12. TRADE RECEIVABLES

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables — goods and services	**498,571**	351,720
Less: Allowance for credit losses	**(65)**	—
	498,506	351,720

As at December 31, 2018 and January 1, 2018, trade receivables from contracts with customers amounted to RMB498,506,000 and RMB309,097,000 respectively.

The Group allows a credit period of approximately 60 days for the general healthcare service to the patients which is due from medical insurance programs, 60 days to 120 days for the sales of pharmaceutical, medical devices and consumables to the IOT hospitals and the Sponsored Hospitals, and 90 days to 180 days for the hospital management services to the IOT hospitals and the Sponsored Hospitals after issuing the invoices.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date:

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
0 to 60 days	**276,150**	192,462
61 to 180 days	**147,280**	138,010
>180 days	**75,076**	21,248
	498,506	351,720

As at December 31, 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB75,076,000 is not considered as in default, which is past due 90 days or more as at the reporting date.

As at December 31, 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB21,248,000 which are past due as at the reporting date for which the Group has not provided for impairment loss.

Ageing of trade receivables that are past due but not impaired

	As at December 31, 2017 *RMB'000*
Overdue by:	
91 to 180 days	21,248

13. PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Prepayments to suppliers	**20,740**	7,543
Current portion of receivables from IOT hospitals	**14,838**	14,838
Current portion of lease prepayments for land use right	**3,375**	3,375
Public housing maintenance fund	**1,602**	1,461
Prepaid value-added tax	**833**	12,315
Prepaid rental	**501**	—
Prepaid maintenance expense	**12**	19
Prepayment of share-based payment	**—**	261
Others	**2,393**	2,483
	44,294	42,295

14. TRADE PAYABLES

Trade payables are non-interest bearing and are normally granted on a credit term of 0 to 90 days. An aged analysis of the Group's trade payables, based on the date of delivering of goods, is as follows:

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Within 60 days	**152,924**	179,880
61–180 days	**53,331**	62,572
>180 days	**17,827**	14,542
	224,082	256,994

15. OTHER PAYABLES

	As at December 31,	
	2018	2017
	RMB'000	*RMB'000*
Staff cost payables	**87,235**	71,978
Deposits from suppliers	**36,596**	25,027
Deposits from patients	**33,564**	30,937
Other PRC tax payable	**19,003**	20,194
Unpaid travel expense and administrative expense	**9,787**	10,559
Unpaid expense in relation to professional services	**8,085**	8,349
Payable for purchase of property, plant and equipment	**2,237**	3,049
Retirement benefit obligations	**1,621**	1,903
Unpaid consideration of the acquisition of a subsidiary	**300**	—
Unpaid expense in relation to major transactions	**50**	423
Others	**21,692**	17,222
	220,170	189,641

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, following implementation of the State Council's plan of institutional reform, a number of reform policies in respect of the medical industry were issued and the medical industry reform has entered the third stage. The third stage reform focuses develop Joint Reformation for Public Health Services, Medical Insurance and Medical Production Circulation ("三醫聯動"), establish multi-diagnosis system, determine principal policies of "Internet + Medical/Healthcare", and reduce people's difficulty in getting proper medical services, improve people's health level and the standard of medical services in China.

At the same time, driven by the in-depth medical reform, the social capital has great opportunities in participating in the medical service industry. It will benefit with opportunities from the general reform of SOE affiliated hospitals, provision of professional hospital management services, development of hospital group network, differentiated healthcare services, and development of elderly care and rehabilitation. As an important supplemental element to existing medical and healthcare system, social established medical institutions should continue to tap the potential, improve the quality and efficiency of medical services, and play a more important role in the supply side of medical and healthcare services.

Benefiting from the further integration of supply chain business, the consolidated revenue of the Group for the year ended December 31, 2018 amounted to RMB2.06 billion, representing a year-on-year increase of 9.7%; net profit for the year amounted to RMB440 million, whilst recurring net profit for the year also amounted to RMB440 million (the recurring net profit for the same period last year was RMB388 million, whilst the net profit for the same period last year including non-recurring profit or loss amounted to RMB430 million). Earnings per share of the Group amounted to RMB0.34, of which recurring earnings per share was also RMB0.34, representing a 13.3% increase as compared to the prior year.

As of December 31, 2018, the Group managed and operated a total of 112 medical institutions in eight provinces and cities in the PRC. The number of out-patient and in-patient visits of our in-network hospitals increased by 5.6% to 8,222,421 times and 2.0% to 248,048 times, respectively. Under the combined effect of increase in average spending, the total revenue from medical business of our in-network hospitals grew by 6.8% to RMB6.68 billion.

List of Medical Institutions under the Group

During the year, the Group newly established 9 medical institutions in Shandong region and 1 medical institution in Hainan, including one Grade II General Hospital Tai'an City Hospital (formerly known as Tai'an High Speed Rail Hospital* (泰安高鐵醫院))

and 8 primary medical and healthcare institutions in Weifang city, Shandong province, as well as one Urgent Care Clinic ("**UCC**") in Shimei Bay, Hainan. As of December 31, 2018, the Group managed and operated a total of 112 medical institutions in 8 provinces and cities in the PRC. The number of beds in operation amounted to 10,380.

List of Medical Institutions under the Group's Management and Operation (as at December 31, 2018)

Province/City	Grade III Hospitals	Grade II Hospitals	Grade I Hospitals	Community and Medical Clinic	Total
Beijing[(4)]	2	5	12	37	56
Hebei	0	1	0	0	1
Shandong[(1), (2)]	0	1	0	8	9
Jiangsu	0	1	0	0	1
Anhui	1	6	12	5	24
Hubei	2	0	3	13	18
Guangdong	1	0	0	1	2
Hainan[(3)]	0	0	0	1	1
Total	6	14	27	65	112

Note:

1) On March 21, 2018, the Group entered into a hospital operation and management agreement with 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) for the purpose of providing operation and management services to Tai'an City Hospital (Formerly known as Tai'an High Speed Rail Hospital* (泰安高鐵醫院)) for a cooperation term of 20 years. Tai'an City Hospital is located in High Speed Rail New District of Tai'an and is currently under construction. It will be developed into a Grade II General Hospital featuring neurosurgery and cardiology.

2) On April 10, 2018, the Group entered into a joint development agreement with the municipal authority of Weifang city, Shandong province for the purpose of providing management services to 8 primary medical and healthcare service institutions under hospitals affiliated to the municipal authority of Weifang for a cooperation term of 30 years. Both parties will strive to develop a new medical and healthcare service institution chain in Weifang city, Shandong province and become an exemplary enterprise for hierarchical diagnosis and treatment in the city.

3) On May 26, 2018, the China Resources Phoenix Shimei Bay Outpatient Department* (華潤鳳凰石梅灣門診部) under Hainan China Resources Phoenix Medical Service Co., Ltd.* (海南潤鳳醫療服務有限責任公司) (a wholly-owned subsidiary of the Company) has been granted the "Practice License of Medical Institution" by Health and Family Planning Commission of Wanning City, Hainan Province, and officially commenced to provide medical healthcare services. This outpatient department project is a cooperation project with China Resources Shimen Bay Tourism Development (Hainan) Company* (海南華潤石梅灣旅遊開發公司) of a term of 5 years, with an aim for providing convenient, secure

and price competitive medical healthcare service with high quality to residents and tourists of Shimei Bay and becoming an exemplary project for the integration of residential real estate and healthcare industries.

4) Yan Hua IOT Agreement covers 1 grade III hospital, 2 grade I hospitals and 9 community and medical clinics in Beijing. Please refer to the section headed "Management Discussion and Analysis — Subsequent Event" in this report for details of further update of Yan Hua IOT Agreement after year end.

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

Operating data for 2018

		Number of patients		**Revenue from medical business *(RMB'000)***			
Type	**Number of beds in operation**	**Number of outpatients**	**Number of inpatients**	**Revenue from outpatient visits**	**Revenue from inpatient visits**	**Revenue from physical examination**	**Total**
For-profit hospitals	**395**	**887,322**	**13,612**	**422,737**	**256,484**	**14,584**	**693,805**
Sponsored hospitals	**6,174**	**2,550,240**	**159,810**	**768,970**	**1,942,637**	**27,506**	**2,739,113**
IOT hospitals	**3,811**	**4,784,859**	**74,626**	**1,899,780**	**1,293,625**	**57,496**	**3,250,901**
— Yan Hua Hospital	***663***	***1,049,514***	***19,246***	***482,186***	***348,849***	***14,895***	***845,930***
— Other IOT hospitals	***3,148***	***3,735,345***	***55,380***	***1,417,594***	***944,776***	***42,601***	***2,404,971***
Subtotal	**10,380**	**8,222,421**	**248,048**	**3,091,487**	**3,492,746**	**99,586**	**6,683,819**

Operating data for 2017

		Number of patients		Revenue from medical business *(RMB'000)*			
Type	Number of beds in operation	Number of outpatients	Number of inpatients	Revenue from outpatient visits	Revenue from inpatient visits	Revenue from physical examination	Total
For-profit hospitals	393	880,485	12,248	408,041	227,630	15,064	650,735
Sponsored hospitals	6,280	2,615,002	162,192	744,496	1,838,648	37,626	2,620,770
IOT hospitals	3,718	4,289,083	68,845	1,753,640	1,177,947	52,586	2,984,173
— Yan Hua Hospital	*663*	*949,080*	*18,107*	*474,223*	*318,736*	*13,427*	*806,386*
— Other IOT hospitals	*3,055*	*3,340,003*	*50,738*	*1,279,417*	*859,211*	*39,159*	*2,177,787*
Subtotal	10,391	7,784,570	243,285	2,906,177	3,244,225	105,276	6,255,678

Notes:

1) For-profit hospitals include: Jian Gong Hospital and 999 Clinic;

2) Sponsored hospitals include: 999 Brain Hospital, Huaikuang Hospital Group, Xukuang Hospital and Wugang Hospital Group;

3) IOT hospitals include: Yan Hua Hospital Group, 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 includes: Tai'an City Hospital. The number of beds is expected to be 500. The Group has recognized management fee income of RMB4.25 million in respect of this hospital during the Reporting Period.

Financial data

In order to illustrate the financial results contribution of various categories of member hospitals under the Group and the overall composition of the Group's results, we have reclassified the items in the consolidated statement of profit or loss for the Reporting Period, and analysis will be conducted in terms of profit contribution of hospitals, profit from other derived businesses, operating costs and expenses, other profit or loss, income tax and non-recurring profit or loss.

1. Profit contribution of hospitals: profit contribution of hospitals was mainly derived from profit balance/ hospital management fees from in-network hospitals, third-party supply chain management fees resulting from the provision of supply chain management for hospitals and Group Purchasing Organization (i.e. GPO) gross profit resulting from the procurement of pharmaceutical consumables, which represents the sum of general healthcare services segment results, revenue from hospital management services and GPO gross profit;

2. Profit from other derived businesses: profit from other derived businesses was primarily profit before tax derived from the provision of specialized medical technology and other advisory services to business cooperators based on our hospital institution network resources and management resources, which includes our physician company business, and other consultation services;

3. Operating costs and expenses: operating costs and expenses are mainly cost as well as management and sales expenses incurred from the operation and management of member units by the headquarters, i.e. the operating cost of the hospital management services segment in the consolidated financial statements, and which the management and sales expenses after deducting the management and sales expenses of the general healthcare segment and other derived businesses segment;

4. Other profit or loss: other profit or loss represents the sum of other income, other gains and losses, finance costs, other expenses, share of profit (loss) of associates/ joint ventures, after deducting non-recurring profit or loss. Generally, the amount includes interests and gains on investment, exchange gains and losses, disposal of properties, finance costs and other expenses, etc.

5. Income tax expenses: income tax expenses represent the sum of the current tax payable and deferred tax. The current tax payable was calculated based on taxable profit for the year; and deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit.

6. Non-recurring profit or loss: non-recurring profit or loss represents various categories of revenue and expenses during the period that were not directly related to business operations and those that were related to business operations, but have affected the accuracy and fairness of the representation of the Company's normal profitability due to their nature, amount or frequency.

Financial data for 2018

		Profit contribution of hospitals								
2018 *(RMB'000)*	Consolidated statement of profit or loss	General healthcare services segment results	Revenue from hospital management services	GPO gross profit	Profit from other derived businesses segment results	Operating costs and expenses	Other profit or loss	Income tax	Core net profit	Non-recurring profit or loss
Revenue from goods and services	2,059,478	712,607	452,368	863,974	30,529	—	—	—	—	—
Cost of sales and services	(1,302,800)	(595,434)	—	(659,028)	(20,359)	(27,979)	—	—	—	—
Other income	72,910	1,916	—	—	1	—	70,993	—	—	—
Other gains and losses	(11,241)	(1,472)	—	—	—	—	(9,769)	—	—	—
Selling and distribution expenses	(19,888)	—	—	—	(79)	(19,809)	—	—	—	—
Administrative expenses	(203,542)	(71,501)	—	—	(2,954)	(129,087)	—	—	—	—
Finance costs	(7,701)	—	—	—	—	—	(7,701)	—	—	—
Other expenses	(420)	(102)	—	—	(137)	—	(181)	—	—	—
Share of profit of associates	54	—	—	—	—	—	54	—	—	—
Share of profit of joint ventures	2,093	—	—	—	—	—	2,093	—	—	—
Income tax	(149,387)	—	—	—	—	—	—	(149,387)	—	
	—	46,014	452,368	204,946	—	—	—	—	—	—
Net profit or loss	439,556		703,328		7,001	(176,875)	55,489	(149,387)	439,556	—
% of revenue from the medical business	6.6%		10.5%		0.1%	-2.6%	0.8%	-2.2%	6.6%	—

Financial data for 2017

2017 *RMB'000*	Consolidated statement of profit or loss	Profit contribution of hospitals General healthcare services segment results	Profit contribution of hospitals Revenue from hospital management services	Profit contribution of hospitals GPO gross profit	Profit from other derived businesses segment results	Operating costs and expenses	Other profit or loss	Income tax	Core net profit	Non-recurring profit or loss
Revenue from goods and services	1,877,724	664,282	325,931	857,720	29,791	—	—	—	—	—
Cost of sales and services	(1,209,487)	(560,324)	—	(622,423)	(7,336)	(19,404)	—	—	—	—
Other income	59,632	1,554	—	—	—	—	58,078	—	—	—
Other gains and losses	24,775	450	—	—	—	—	3,875	—	—	20,450
Selling and distribution expenses	(25,112)	—	—	—	(6)	(25,106)	—	—	—	—
Administrative expenses	(186,551)	(57,629)	—	—	(1,772)	(127,150)	—	—	—	—
Finance costs	(2,482)	(555)	—	—	—	—	(1,927)	—	—	—
Other expenses	(786)	(470)	—	—	—	—	(316)	—	—	—
Share of profit of associates	5,259	—	—	—	—	—	—	—	—	5,259
Share of profit of joint ventures	16,535	—	—	—	—	—	272	—	—	16,263
Income tax	(129,812)	—	—	—	—	—	—	(129,812)	—	—
	—	47,308	325,931	235,297	—	—	—	—	—	—
Net profit or loss	429,695		608,536		20,677	(171,660)	59,982	(129,812)	387,723	41,972
% of revenue from the medical business	6.9%		9.7%		0.3%	-2.7%	1.0%	-2.1%	6.2%	0.7%

Profit contribution of hospitals

During the year, through further integration of the supply chain business, the overall profit contribution of our hospitals has increased year-on-year. In 2018, profit contribution of hospitals grew by 15.6% year-on-year to approximately RMB703 million and the consolidated profit contribution rate increased by 0.8 percentage point to 10.5%. Among this, for-profit hospitals, sponsored hospitals, IOT hospitals and an OT hospital accounted for 16.2%, 32.3%, 50.9% and 0.6% of the profit contribution, respectively. Profit contribution rate of each of the former three types of hospital was 16.4% (the profit contribution rate excluding repayments from balance of medical insurance was 13.7%), 8.3% and 11.0%, respectively; while the profit contribution rate of each of the former three types of hospital was 17.1% (the profit contribution rate excluding repayments from balance of medical insurance was 14.6%), 5.4% and 11.9%, respectively, during the same period last year. During the Reporting Period, the Group entered into a new operation and management arrangement with an OT hospital (Tai'an City Hospital, which is currently under construction) and the gains from the management fee recognised in accordance with the entrusted operation and management agreement amounted to RMB4.25 million during the period.

Profit contribution of hospitals for 2018

2018 *RMB'000*	**Revenue from medical business**	**General healthcare services segment results[(1)]**	**Hospital management services:** **Hospital management services fees**	**Hospital management services:** **Third-party supply chain service fees**	**GPO gross profit**	**Total**	**Profit contribution rate**
For-profit hospitals	**693,805**	**46,014**	**—**	**25,081**	**42,592**	**113,687**	**16.4%**
Sponsored hospitals	**2,739,113**	**—**	**101,475**	**117,618**	**8,162**	**227,255**	**8.3%**
IOT hospitals	**3,250,901**	**—**	**94,681**	**109,268**	**154,192**	**358,141**	**11.0%**
— Yan Hua Hospital	***845,930***	**—**	***25,752***	***43,842***	***47,319***	***116,913***	***13.8%***
— Other IOT hospitals	***2,404,971***	**—**	***68,929***	***65,426***	***106,873***	***241,228***	***10.0%***
OT hospital	**N/A**	**—**	**4,245**	**—**	**—**	**4,245**	**N/A**
Total	**6,683,819**	**46,014**	**200,401**	**251,967**	**204,946**	**703,328**	**10.5%**

Profit contribution of hospitals for 2017

2017 *RMB'000*	Revenue from medical business	General healthcare services segment results[(1)]	Hospital management services: Hospital management services fees	Hospital management services: Third-party supply chain service fees	GPO gross profit	Total	Profit contribution rate
For-profit hospitals	650,735	47,308	—	18,397	45,407	111,112	17.1%
Sponsored hospitals	2,620,770	—	104,118	36,445	1,935	142,498	5.4%
IOT hospitals	2,984,173	—	95,015	71,956	187,955	354,926	11.9%
— Yan Hua Hospital	*806,386*	—	*36,324*	*32,065*	*61,563*	*129,952*	*16.1%*
— Other IOT hospitals	*2,177,787*	—	*58,691*	*39,891*	*126,392*	*224,974*	*10.3%*
Total	6,255,678	47,308	199,133	126,798	235,297	608,536	9.7%

Notes:

(1) General healthcare services segment results for this year includes repayments from balance of medical insurance of RMB18.81 million (2017: RMB16.36 million).

General Healthcare Services

Revenue from our general healthcare services segment of the Group is derived from general healthcare services provided by Jian Gong Hospital and 999 Clinic. General healthcare services revenue mainly consisted of fees generated from the provision of out-patient and in-patient services, including fees for healthcare services, pharmaceuticals, medical devices and medical consumables. During the Reporting Period, the results of the general healthcare services segment was RMB46.01 million, representing a year-on-year decrease of 2.7% (2017: RMB47.31 million).

Hospital management services

During the year, the Group managed and operated a total of 110 not-for-profit hospitals (representing the not-for-profit medical institutions with sponsorship and those hospitals operated and managed based on IOT model). In return, the Group was entitled to receive from each hospital or the hospital sponsors management service fees, which are primarily calculated on the basis of percentage of revenue and/or net balance of income and expenditure generated by the hospitals and clinics under our management. In addition, according to the supply chain joint development agreement, which were entered into by the Group and a third party supplier, with our three hospital groups and three hospitals as the main service targets, we cooperated with this supplier to develop the regional and integrated pharmaceutical supply chain management system, supply and establish regional pharmaceutical supply chain management platforms, optimize our pharmaceutical inventory and logistics management, develop services such as supply chain financing, and charge hospital supply chain management services fees based on a percentage of relevant pharmaceutical purchases. During the year, the Group recorded revenue of the hospital management services segment of RMB452 million, representing a year-on-year growth of 38.8% (2017: RMB326 million) which was mainly due to the increase of the supply chain service fee income as the results of further integration of supply chain.

GPO Segment

Revenue from our GPO segment is primarily derived from integrating the purchase of both medical and nonmedical materials for our in-network hospitals. During the year, the gross profit of the Group's GPO segment recorded was RMB205 million, representing a year-on-year decrease of approximately 12.9% (2017: RMB235 million). The movement of GPO gross profit depends on the type and quantity of related purchased drugs and other materials. During the year, the income and gross profit of drug purchases were reduced due to the influence of two-invoice policy.

Profit from other derived businesses

During the year, physician company business and consultation business scale expanded with increased costs and expense at the early stage of development. Profit before tax from other derived businesses during 2018 amounted to approximately RMB7 million, representing a year-on-year decrease of 66.1%.

Operating costs and expenses

During the year, total operating costs and expenses amounted to approximately RMB177 million (2017: RMB172 million), accounting for 2.6% of the Group's revenue from medical business, representing a decrease of 0.1 percentage point as compared to the same period last year.

Other profit or loss

During the Reporting Period, other profit or loss totaled RMB55.49 million (2017: RMB59.98 million), which was mainly attributable to the changes in the revenue from bank financial product, interest income and exchange gains and losses.

Income tax expenses

During the year, income tax expenses amounted to RMB149 million (2017: RMB130 million). The effective income tax rate of the Group's recurring business was 25.4% (2017: 23.2%).

Non-recurring profit or loss

During the year, the Group had no material non-recurring profit or loss item. In 2017, non-recurring profit or loss items totaled RMB41.97 million, including mainly the gains in relation to our investment in UMP Healthcare Holdings and UMP Healthcare (Beijing) Group Limited.

Recurring net profit and other performances

For the current fiscal year, revenue of the Group and profit contribution from the hospitals managed by the Group are generally in line with our expectations, and the recurring income also exceeds the target set in early 2018. In 2018, the recurring net profit amounted to RMB440 million, representing an increase of 13.4% as compared to the recurring net profit of RMB388 million of 2017 (net profit for 2017 was RMB430 million, of which the non-recurring profit or loss was RMB41.97 million).

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, 2018.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS, INVESTMENTS IN AND RECEIVABLES FROM JV COMPANY AND SUBSEQUENT PLANS FOR MATERIAL CAPITAL INVESTMENTS

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, 2018, the fair value of the investment was approximately RMB137 million.

Investment in UMP Beijing

UMP Beijing is mainly engaged in providing healthcare solutions and service in Mainland China. Details of investment in UMP Beijing have been disclosed in the Company's annual reports in prior years. As the Group's shareholding in UMP Beijing was 30% and only had one director nomination right, the Group's recognises it as the interest in an associate. As at December 31, 2018, the book value of the investment was approximately RMB23.74 million.

Save for those disclosed above, there were no other significant investments held, nor were there material acquisitions and disposals of subsidiaries, associates and joint ventures during the year under review.

Future Outlook

In 2019, we shall meticulously improve the operation and management of our hospitals. One of our goals is to develop dominant disciplines which should be "sizeable, efficient and have excellent brand", more focusing on operation efficiency, and continue to refine operation of departments. We aim to develop a sophisticated patient service system, which shall enhance our branding. We shall strengthen our innovational-based development, and empower our hospitals and community medical business. In the future, we shall continue to promote scale expansion in an orderly manner, enhance the ability of outreach growth, and strive to seize the historical opportunity of China's medical industry reform, actively participate in the business of social established medical institutions, and make it more practical, stronger, bigger, better, and more sustainable. It is our mission to provide the public with high quality, safe and accessible medical services with reasonable price.

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, 2018, the Group's consolidated bank balances and cash, certificate of deposit and bank financial product amounted to approximately RMB1.9 billion in total (December 31, 2017: RMB1.6 billion).

On March 27, 2017, the Group obtained banking facilities (revolving term loans) with a credit line of HK$800 million (or its U.S. dollar or RMB equivalents) from a bank in Hong Kong. As at June 21, 2018, the Group obtained banking facilities (term loans) with another credit line of HK$1.2 billion (or its U.S. dollar or RMB equivalents) from the same bank in Hong Kong. As at December 31, 2018, the Group had interest-bearing bank borrowings of HK$560 million (equivalent to approximately RMB491 million) (December 31, 2017: HK$205 million (equivalent to approximately RMB171 million)), and unutilised bank facilities with a credit line of HK$1.440 billion (equivalent to approximately RMB1.262 billion). As at December 31, 2018, the Group's amounts payable to the sponsored hospitals of the Group amounted to RMB255 million (December 31, 2017: RMB268 million).

As at December 31, 2018, 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 6.7% (FY2017: 2.5%).

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" 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, 2018, 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, 2018, the Group did not have any material pledge of assets.

Subsequent Event

Update of Yan Hua IOT Agreement

As disclosed in the prospectus of the Company and the circular of the Company dated October 14, 2016, the Company made certain investments in YHHG in exchange for the right to manage YHHG pursuant to the Yan Hua IOT Agreement, and underneath provides certain services to YHHG, including management and consulting services, brand building, financial support, human resources and academic research support, and improvement of medical facilities and information technology systems, and is entitled to receive management fees for such services. The term of the Yan Hua IOT Agreement is from February 1, 2008 to July 17, 2055.

The Company has been informed that Ms. Xu Jie, who is the ultimate controlling shareholder of the sponsor of Yan Hua Hospital (i.e. Yan Hua Phoenix), indicated to CR Holdings Co. Ltd., controlling shareholder of the Company, her intention to terminate the Yan Hua IOT Agreement unilaterally. Since then, the Company has been trying to resolve the matter amicably with Ms. Xu Jie. Despite the Company's efforts, the Company received a letter from Ms. Xu Jie on January 15, 2019 confirming that she shall arrange unilateral termination of the Yan Hua IOT Agreement. 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. The Company is currently seeking legal advice on the legal implication of the said letter. The Company will use its best endeavours to mitigate any negative impact of the possible discontinuation of the Yan Hua IOT Agreement and will take all appropriate actions to protect the interests of the Company and the Shareholders. Please refer to the Company's announcements dated January 15, 2019 and January 21, 2019 for more details of the above matters.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2018, the Group had a total of 1,120 full-time employees (December 31, 2017: 1,036 employees). For FY2018, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB316 million (FY2017: RMB282 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 a share option scheme (pursuant to a resolution passed by the Shareholders on September 30, 2013) 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 HK$12 cents (equivalent to approximately RMB10.2 cents) per Share for FY2018 (FY2017: final dividend: HK$11 cents (equivalent to approximately RMB8.9 cents) per Share). The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company on Thursday, July 18, 2019. Based on the number of issued shares of the Company as of December 31, 2018, the total amount of dividends is approximately HK$156 million. Subject to the approval by Shareholders at the annual general meeting to be held on Thursday, May 30, 2019, it is expected that the final dividend will be distributed on or before July 29, 2019.

OTHER INFORMATION

Annual General Meeting

The annual general meeting (the "**AGM**") of the Company will be held on Thursday, May 30, 2019. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, May 30, 2019, the register of members of the Company will be closed from Friday, May 24, 2019 to Thursday, May 30, 2019, 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 AGM, 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 Thursday, May 23, 2019.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Saturday, July 13, 2019 to Thursday, July 18, 2019, 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 Friday, July 12, 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and transparency while safeguarding the interest of the Shareholders. Under the CG Code Provision E.1.2, the chairman of the Board should attend the annual general meeting. Mr. Wang Yin, the former chairman of the Board of the Company (who has resigned as a non-executive Director and chairman of the Company on August 7, 2018), did not attend the annual general meeting held on May 31, 2018 due to other business commitments. Save for the above arrangement, the Company confirms that it has complied with all material code provisions of CG Code during the year ended December 31, 2018.

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.

Further information of the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code during the year ended December 31, 2018. As senior management, executives and officers may possess inside information of the Company due to their positions, they shall comply with the provision of the Model Code. To the best knowledge of the Company, no incident of non-compliance with the Model Code has been committed by such employees during the year ended December 31, 2018.

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

The trustee of the Share Award Scheme purchased on the Stock Exchange a total of 33,273,500 shares at a total consideration of approximately HK$248 million pursuant to the terms of the rules and trust deed of the Share Award Scheme during the year.

Saved for the above, during the year ended December 31, 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 1 non-executive Director, namely Mr. Wang Yan and 2 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, 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu 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 2018 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

"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of our Company
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chief Executive Officer"	the chief executive officer of the Company

"China" or "PRC"	the People's Republic of China excluding, for the purpose of this report, Taiwan, the Macau Special Administrative Region and Hong Kong
"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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"CR Healthcare Group"	China Resources Healthcare Group Limited, a company incorporated under the laws of Hong Kong
"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) and the indirect holding company of CR Healthcare Group
"Director(s)"	the directors of our Company or any of them
"FY2017"	the financial year ended December 31, 2017
"FY2018"	the financial year ended December 31, 2018
"Group", "our Group", "we" or "us"	our Company and its subsidiaries
"HK$" or "HKD" and "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
"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 certain affiliated hospitals and community clinics
"JV Company" or "UMP Beijing"	UMP Phoenix Healthcare Limited, a limited liability company incorporated in the BVI, which is held as to 30% by Pinyu Limited (our wholly-owned subsidiary) and 70% by UMP Healthcare China Ltd. (which is a subsidiary of UMP Healthcare Holdings)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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 we manage and operate under the OT model
"Reporting Period"	the period from January 1, 2018 to December 31, 2018
"RMB"	Renminbi, the lawful currency of the PRC
"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
"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)
"U.S. dollar" or "US$"	United States dollar, the lawful currency of the United States
"United States" or "U.S."	the United States of America, its territories and possessions, and all areas subject to its jurisdiction
"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" or "YHHG"	collectively, Yan Hua Hospital and the community clinics affiliated with Yan Hua Hospital
"Yan Hua IOT Agreement"	collectively, the IOT agreement we entered into with Yan Hua Hospital Group and Yan Hua Phoenix on February 1, 2008, as amended
"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

* *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 29, 2019

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, Mr. HAN Yuewei, Ms. REN Yuan and Ms. FU Yanjun as executive Directors.