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, 2019

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, 2019 (the "**Reporting Period**") as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended June 30, 2019

	Notes	**Six months ended June 30, 2019** *RMB'000* **(Unaudited)**	2018 *RMB'000* (Unaudited)
REVENUE	4	**964,939**	916,117
Cost of sales		**(619,376)**	(558,047)
Gross profit		**345,563**	358,070
Other income	5	**34,731**	33,167
Other losses, net	6	**(5,033)**	(7,074)
Selling and distribution expenses		**(6,965)**	(8,965)
Administrative expenses		**(107,008)**	(93,471)
Finance costs		**(7,446)**	(2,002)
Other expenses		**(1,613)**	(23)
Share of profits and losses of:			
A joint venture		**1,713**	219
Associates		**(1)**	—
PROFIT BEFORE TAX	7	**253,941**	279,921
Income tax expense	8	**(65,417)**	(73,274)
PROFIT FOR THE PERIOD		**188,524**	206,647

	Notes	Six months ended June 30, **2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Unaudited)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investment designated at fair value through other comprehensive income:			
Change in fair value		**—**	3,696
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**188,524**	210,343
Profit attributable to:			
Equity holders of the parent		**183,121**	201,990
Non-controlling interests		**5,403**	4,657
		188,524	206,647
Total comprehensive income attributable to:			
Equity holders of the parent		**183,121**	205,686
Non-controlling interests		**5,403**	4,657
		188,524	210,343
Earnings per share attributable to equity holders of the parent:			
Basic *(RMB yuan)*			
— For profit for the period	10	**0.15**	0.16
Diluted *(RMB yuan)*			
— For profit for the period	10	**0.15**	0.16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Notes	**June 30, 2019** ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**170,128**	259,363
Intangible assets	12	**1,928,329**	2,095,640
Receivables from invest-operate-transfer ("**IOT**") hospitals		**83,890**	108,974
Prepaid land lease payments		**—**	136,970
Goodwill		**1,463,611**	1,463,611
Interests in associates	13	**10,003**	23,741
Interests in a joint venture		**510,239**	508,526
Loan to a sponsored hospital		**53,865**	52,687
Right-of-use assets	14	**158,789**	—
Other non-current asset	15	**76,269**	—
Financial assets at fair value through profit or loss ("**FVTPL**")		**128,401**	136,744
Total non-current assets		**4,583,524**	4,786,256
CURRENT ASSETS			
Inventories		**84,205**	77,885
Trade receivables	16	**557,021**	498,506
Contract assets	17	**9,301**	9,464
Prepayments and other receivables	18	**226,376**	44,294
Amounts due from related companies	23	**8,881**	6,039
Financial assets at FVTPL		**321,453**	315,000
Certificate of deposit		**77,499**	57,863
Cash and cash equivalents		**1,555,455**	1,524,176
Total current assets		**2,840,191**	2,533,227

	Notes	**June 30, 2019** *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade payables	19	**210,815**	224,082
Other payables		**285,771**	220,170
Amounts due to related companies	23	**2,344**	3,247
Payables to hospitals sponsored by the Group (the "**Sponsored Hospitals**")		**255,054**	254,876
Tax payables		**29,203**	71,472
Borrowings	20	**483,814**	490,672
Contract liabilities		**9,837**	12,754
Total current liabilities		**1,276,838**	1,277,273
NET CURRENT ASSETS		**1,563,353**	1,255,954
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,146,877**	6,042,210
NON-CURRENT LIABILITIES			
Retirement benefit obligations		**14,838**	16,017
Lease liabilities		**15,870**	—
Deferred tax liability		**317,361**	316,374
Total non-current liabilities		**348,069**	332,391
Net assets		**5,798,808**	5,709,819
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	21	**267**	267
Reserves		**5,682,461**	5,589,231
		5,682,728	5,589,498
Non-controlling interests		**116,080**	120,321
Total equity		**5,798,808**	5,709,819

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

	Attributable to equity holders of the Company											
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Treasury share reserve *RMB'000*	Share-based payment reserve *RMB'000*	Exchange reserve *RMB'000*	Actuarial changes reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At December 31, 2018 (audited)	267	6,180,977	(341,250)	125,158	(384,650)	(2,002)	567	(16,266)	26,697	5,589,498	120,321	5,709,819
Total comprehensive income for the period	—	—	—	—	—	—	—	—	183,121	183,121	5,403	188,524
Contributions by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	1,290	1,290
Shares vested under the Share Award Scheme (the "**Scheme**") (i)	—	(55,663)	—	—	95,908	6,631	—	—	—	46,876	—	46,876
Dividends declared	—	(136,767)	—	—	—	—	—	—	—	(136,767)	—	(136,767)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	(10,934)	(10,934)
At June 30, 2019 (unaudited)	267	5,988,547*	(341,250)*	125,158*	(288,742)*	4,629*	567*	(16,266)*	209,818*	5,682,728	116,080	5,798,808

Note:

(i) The Scheme was made on July 2014 (amended on May 25, 2015) by the board of directors of the Company (the "**Board**"). In May 2019, the Board offered an aggregate of 18,609,800 shares to selected 287 participants who are managerial personnel under the Scheme to settle the staff cost payable to the relevant employees amounting to RMB6,631,000, which were granted on May 30, 2019.

* These reserve accounts comprise the consolidated reserves of RMB5,682,461,000 in the interim condensed consolidated statement of financial position as at June 30, 2019.

	Attributable to equity holders of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory Surplus reserve RMB'000	Treasury share reserve RMB'000	Share-based Payment reserve RMB'000	Available For Sale ("**AFS**")/ FVTOCI reserve RMB'000	Exchange reserve RMB'000	Actuarial changes reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At December 31, 2017 (audited)	267	6,296,012	(333,372)	95,176	(195,233)	9,907	—	(541)	(16,266)	(374,219)	5,481,731	119,837	5,601,568
Adjustments	—	—	—	—	—	—	(93,255)	—	—	93,255	—	—	—
At January 1, 2018 (restated)	267	6,296,012	(333,372)	95,176	(195,233)	9,907	(93,255)	(541)	(16,266)	(280,964)	5,481,731	119,837	5,601,568
Total comprehensive income for the period	—	—	—	—	—	—	3,696	—	—	201,990	205,686	4,657	210,343
Contributions by non-controlling interests	—	—	(1,800)	—	—	—	—	—	—	—	(1,800)	2,800	1,000
Purchase of shares under the Scheme (i)	—	—	—	—	(39,334)	—	—	—	—	—	(39,334)	—	(39,334)
Recognition of equity-settled share based payments	—	—	—	—	—	10,758	—	—	—	—	10,758	132	10,890
Shares vested under the Scheme (ii)	—	—	(5,742)	—	28,612	(22,870)	—	—	—	—	—	—	—
Dividends recognised as distribution	—	(116,725)	—	—	—	—	—	—	—	—	(116,725)	(11,109)	(127,834)
At June 30, 2018 (unaudited)	267	6,179,287	(340,914)	95,176	(205,955)	(2,205)	(89,559)	(541)	(16,266)	(78,974)	5,540,316	116,317	5,656,633

Notes:

(i) In June 2018, the Company paid an amount of Hong Kong dollar ("**HKD**") 48,162,000 (equivalent to approximately RMB39,334,000) to Computershare Hong Kong Trustees Limited (the "**Trustee**") to purchase the Company's existing shares of 5,000,000 shares on the market pursuant to the Scheme made on July 7, 2014 (amended on May 25, 2015) by the Board.

(ii) In addition to share vested in the current period for share awarded in prior years, in June 2018, the Board granted an aggregate of 1,135,000 shares to 53 Selected Participants who are managerial personnel under the Scheme to settle the staff cost payables to the relevant employees amounting to RMB8,919,000 which were vested on June 28, 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended June 30, 2019

	Notes	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**253,941**	279,921
Adjustments for:			
Share of profit or loss of a joint venture		**(1,713)**	(219)
Share of profit or loss of associates		**1**	—
Depreciation of property, plant and equipment	7	**21,254**	21,140
Depreciation of right-of-use assets	7	**2,063**	—
Amortisation of prepaid land lease payments	7	**—**	1,688
Amortisation of intangible assets	7	**9,645**	9,941
Interest and investment income	5	**(30,513)**	(28,704)
Dividends received from equity investment at FVTOCI	5	**—**	(404)
Dividends received from equity investment at FVTPL	5	**(525)**	—
Fair value loss from financial assets at FVTPL	6	**1,890**	—
Finance costs		**7,446**	2,002
Expense recognised on equity-settled share based payments		**6,631**	2,232
Loss on disposal of items of property, plant and equipment, net		**379**	1,317
Loss on disposal of an associate		**118**	—
Foreign exchange differences, net		**2,646**	5,757
		273,263	294,671
Increase in inventories		**(6,320)**	(13,440)
Increase in trade receivables		**(58,515)**	(55,008)
Decrease/(increase) in contract assets		**163**	(19,301)
Decrease/(increase) in prepayments and other receivables		**1,145**	(14,059)
Decrease/(increase) in amounts due from related companies		**(2,842)**	86,374
Decrease in trade payables		**(13,267)**	(46,825)
Increase/(decrease) in contract liabilities		**(2,917)**	10,336
Decrease in other payables		**(79,272)**	(26,039)
Decrease in amounts due to related companies		**(903)**	(3,290)
Cash generated from operations		**110,535**	213,419
Interest received		**3,270**	—
Income tax paid		**(106,699)**	(106,442)
Net cash flows from operating activities		**7,106**	106,977

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received from financial assets at FVTPL	**20,814**	20,835
Purchase of financial assets at FVTPL	**(2,710,000)**	(2,478,000)
Proceeds from disposal of financial assets at FVTPL	**2,710,000**	2,654,852
Purchase of certificate of deposit	**(77,499)**	(112,627)
Proceeds from certificate of deposit	**57,863**	111,468
Purchases of property, plant and equipment	**(9,378)**	(28,214)
Repayment from IOT hospitals	**1,450**	3,218
Acquisition of a subsidiary	**—**	(1,900)
Proceeds from disposal of items of property, plant and equipment	**363**	—
Acquisition of an associate	**(10,000)**	—
Proceeds from disposal of an associate	**23,619**	—
Proceeds from disposal of equity investment at FVTOCI	**—**	5,654
Dividends received from equity investment at FVTOCI	**—**	404
Dividends received from equity investment at FVTPL	**525**	—
Net cash flows from investing activities	**7,757**	175,690
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(4,971)**	(1,558)
Payment for repurchase of ordinary shares	**—**	(39,334)
Dividends paid to non-controlling shareholders	**(10,934)**	(11,109)
Repayment to the Sponsored Hospitals	**—**	(309)
New bank borrowings and other borrowings	**8,713**	40,835
Repayment of bank borrowings	**(17,156)**	—
Contributions by non-controlling shareholders	**1,290**	1,000
Proceeds from the Scheme	**40,246**	—
Net cash flows from/(used in) financing activities	**17,188**	(10,475)

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**32,051**	272,192
Cash and cash equivalents at beginning of period	**1,524,176**	877,054
Effect of foreign exchange rate changes, net	**(772)**	564
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,555,455**	1,149,810

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2019

1. CORPORATE INFORMATION

China Resources Medical 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 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 14/F, Kunlun Center Office Building No. 5, Courtyard No. 9, Fuyi Street, Fengtai District, Beijing, the PRC. The Company is an investment holding company.

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended June 30, 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "**IASB**") and in compliance with the applicable disclosure requirements of The Listing Rules.

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, 2018.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousands, 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 for the six months ended June 30, 2019 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") effective as of January 1, 2019.

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

The adoption of these new and revised IFRSs has had no significant financial effect on the Group's results of operation and financial position, except for IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC-Int 23 *Uncertainty over Income Tax Treatments* as described below:

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

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

New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for office buildings and land. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before January 1, 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

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

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

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

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

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

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

	RMB'000 (Unaudited)
Operating lease commitments as at December 31, 2018	5,478
Weighted average incremental borrowing rate as at January 1, 2019	4.75%
Discounted operating lease commitments as at January 1, 2019	5,230
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before December 31, 2019	(4,218)
Commitments relating to leases of low-value assets	(1,012)
Add: Payments for optional extension periods not recognised as at December 31, 2018	138
Lease liabilities as at January 1, 2019	138

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended December 31, 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from January 1, 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets			
	Office buildings	**Land**	**Total**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at January 1, 2019	138	140,345	140,483	138
Additions	20,369	—	20,369	20,369
Depreciation charge	(375)	(1,688)	(2,063)	—
Interest expense	—	—	—	28
As at June 30, 2019	20,132	138,657	158,789	20,535

The Group recognised rental expenses from short-term leases of RMB1,868,000 and rental expenses from leases of low-value assets of RMB767,000 for the six months ended June 30, 2019.

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on January 1, 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

Segment liabilities exclude 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 by reportable and operating segments.

Segment revenue and results

	For-profit hospitals *RMB'000* (Unaudited)	Sponsored hospitals *RMB'000* (Unaudited)	IOT/OT hospitals *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Six months ended June 30, 2019					
External revenues					
General healthcare services	**326,713**	**—**	**—**	**—**	**326,713**
Hospital management services	**—**	**53,037**	**49,682**	**—**	**102,719**
Third-party supply chain service fees	**10,375**	**50,161**	**41,622**	**—**	**102,158**
GPO business	**—**	**84,592**	**330,832**	**—**	**415,424**
Other hospital-derived services	**—**	**—**	**—**	**17,925**	**17,925**
Inter-segment revenue					
GPO business	**91,059**	**—**	**—**	**—**	**91,059**
Other hospital-derived services	**—**	**—**	**—**	**168**	**168**
Segment revenue	**428,147**	**187,790**	**422,136**	**18,093**	**1,056,166**
Eliminations	**(91,059)**	**—**	**—**	**(168)**	**(91,227)**
Consolidated revenue	**337,088**	**187,790**	**422,136**	**17,925**	**964,939**
Segment cost	**(250,396)**	**(76,105)**	**(286,114)**	**(6,761)**	**(619,376)**
Other income	**670**	**—**	**5,250**	**1,809**	**7,729**
Other losses	**(377)**	**—**	**—**	**—**	**(377)**
Selling and distribution expenses	**(1,061)**	**(1,421)**	**(4,483)**	**—**	**(6,965)**
Administrative expenses	**(30,686)**	**(4,176)**	**(14,958)**	**(4,321)**	**(54,141)**
Other expenses	**(497)**	**—**	**—**	**(1,099)**	**(1,596)**
Segment results	**54,741**	**106,088**	**121,831**	**7,553**	**290,213**
Share of profit of associates					**(1)**
Share of profit of a joint venture					**1,713**
Loss on changes in fair value of financial assets at FVTPL					**(1,890)**
Dividend received from financial assets at FVTPL					**525**
Loss on disposal of an associate					**(118)**
Investment income on financial assets at FVTPL					**20,814**
Unallocated interest and investment income					**4,449**
Share-based payment expense					**(6,632)**
Finance costs					**(7,446)**
Foreign exchange differences, net					**(2,646)**
Other unallocated income					**1,214**
Other unallocated administrative expenses					**(46,235)**
Other unallocated expenses					**(17)**
Other unallocated losses					**(2)**
Profit before tax					**253,941**

	For-profit hospitals *RMB'000* (Unaudited)	Sponsored hospitals *RMB'000* (Unaudited)	IOT/OT hospitals *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Six months ended June 30, 2018					
External revenues					
General healthcare services	331,311	—	—	—	331,311
Hospital management services	—	40,738	50,722	—	91,460
Third-party supply chain service fees	13,334	54,086	52,950	—	120,370
GPO business	—	12,017	342,530	—	354,547
Other hospital-derived services	—	—	—	18,429	18,429
Inter-segment revenue					
GPO business	87,658	—	—	—	87,658
Other hospital-derived services	—	—	—	493	493
Segment revenue	432,303	106,841	446,202	18,922	1,004,268
Eliminations	(87,658)	—	—	(493)	(88,151)
Consolidated revenue	344,645	106,841	446,202	18,429	916,117
Segment cost	(261,215)	(10,461)	(279,480)	(6,891)	(558,047)
Other income	1,377	—	6,886	—	8,263
Other losses	(1,317)	—	—	—	(1,317)
Selling and distribution expenses	(1,655)	(501)	(6,779)	(30)	(8,965)
Administrative expenses	(29,578)	(5,692)	(22,105)	(1,768)	(59,143)
Other expenses	(11)	—	—	—	(11)
Segment results	52,246	90,187	144,724	9,740	296,897
Share of profit of a joint venture					219
Investment income on financial assets at FVTPL					20,835
Unallocated interest and investment income					3,665
Dividend received from FVTOCI					404
Share-based payment expense					(2,232)
Finance costs					(2,002)
Foreign exchange differences, net					(5,757)
Other unallocated administrative expenses					(32,096)
Other unallocated expenses					(12)
Profit before tax					279,921

Segment assets and liabilities

	For-profit hospitals *RMB'000* (Unaudited)	Sponsored hospitals *RMB'000* (Unaudited)	IOT/OT hospitals *RMB'000* (Unaudited)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
As at June 30, 2019					
Segment assets	**456,414**	**2,409,745**	**865,578**	**108,599**	**3,840,336**
Goodwill					**1,463,611**
Bank balances and certificate of deposit					**1,632,954**
Financial assets at FVTPL					**449,854**
Interests in associates					**10,003**
Other unallocated assets					**298,592**
Elimination of inter-segment receivables					**(271,635)**
Consolidated assets					**7,423,715**
Segment liabilities	**99,706**	**272,441**	**6,944**	**66,965**	**446,056**
Borrowings					**483,814**
Other unallocated liabilities					**966,672**
Elimination of inter-segment payables					**(271,635)**
Consolidated liabilities					**1,624,907**
As at December 31, 2018					
Segment assets	556,553	2,101,619	862,970	6,878	3,528,020
Goodwill					1,463,611
Bank balances and certificate of deposit					1,582,039
Financial assets at FVTPL					451,744
Interests in associates					23,741
Other unallocated assets					476,592
Elimination of inter-segment receivables					(206,264)
Consolidated assets					7,319,483
Segment liabilities	190,214	267,430	2,078	17,404	477,126
Borrowings					490,672
Other unallocated liabilities					848,130
Elimination of inter-segment payables					(206,264)
Consolidated liabilities					1,609,664

4. **REVENUE**

Disaggregated revenue information for revenue from contracts with customers

Six months ended June 30, 2019

	General healthcare services *RMB'000* (Unaudited)	Hospital management services *RMB'000* (Unaudited)	GPO business *RMB'000* (Unaudited)	Other hospital-derived services *RMB'000* (Unaudited)	Elimination *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or service						
General healthcare services						
In-patient	133,590	—	—	—	—	133,590
Out-patient	193,123	—	—	—	—	193,123
	326,713	—	—	—	—	326,713
Hospital management services						
From IOT hospitals	—	46,852	—	—	—	46,852
From Sponsored Hospitals	—	53,037	—	—	—	53,037
From an OT hospital	—	2,830	—	—	—	2,830
From third party suppliers	—	102,158	—	—	—	102,158
	—	204,877	—	—	—	204,877
GPO business						
From IOT hospitals	—	—	330,832	—	—	330,832
From Sponsored Hospitals	—	—	84,592	—	—	84,592
From subsidiaries	—	—	91,059	—	(91,059)	—
	—	—	506,483	—	(91,059)	415,424
Other hospital-derived services	—	—	—	18,093	(168)	17,925
Total	326,713	204,877	506,483	18,093	(91,227)	964,939
Timing of revenue recognition						
A point in time	193,123	—	506,483	18,093	(91,227)	626,472
Over time	133,590	204,877	—	—	—	338,467
Total	326,713	204,877	506,483	18,093	(91,227)	964,939

Six months ended June 30, 2018

	General healthcare services *RMB'000* (Unaudited)	Hospital management services *RMB'000* (Unaudited)	GPO business *RMB'000* (Unaudited)	Other hospital-derived services *RMB'000* (Unaudited)	Elimination *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or service						
General healthcare services						
In-patient	126,955	—	—	—	—	126,955
Out-patient	204,356	—	—	—	—	204,356
	331,311	—	—	—	—	331,311
Hospital management services						
From IOT hospitals	—	49,317	—	—	—	49,317
From Sponsored Hospitals	—	40,738	—	—	—	40,738
From an OT hospital	—	1,405	—	—	—	1,405
From third party suppliers	—	120,370	—	—	—	120,370
	—	211,830	—	—	—	211,830
GPO business						
From IOT hospitals	—	—	342,530	—	—	342,530
From Sponsored Hospitals	—	—	12,017	—	—	12,017
From subsidiaries	—	—	87,658	—	(87,658)	—
	—	—	442,205	—	(87,658)	354,547
Other hospital-derived services	—	—	—	18,922	(493)	18,429
Total	331,311	211,830	442,205	18,922	(88,151)	916,117
Timing of revenue recognition						
A point in time	204,356	—	442,205	18,922	(88,151)	577,332
Over time	126,955	211,830	—	—	—	338,785
Total	331,311	211,830	442,205	18,922	(88,151)	916,117

All of the Group's revenue is derived from the Mainland China market.

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

5. OTHER INCOME

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest and investment income on:		
financial assets at FVTPL	**20,814**	20,835
receivables from IOT hospitals	**5,250**	6,886
bank deposits	**3,270**	2,905
loan to a sponsored hospital	**1,179**	983
Dividend income on equity investment at FVTPL	**525**	—
Dividend income on equity investment at FVTOCI	**—**	404
Others	**3,693**	1,154
	34,731	33,167

6. OTHER LOSSES, NET

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss on disposal of items of property, plant and equipment	**(379)**	(1,317)
Loss on disposal of an associate	**(118)**	—
Fair value losses on financial assets at FVTPL	**(1,890)**	—
Foreign exchange differences, net	**(2,646)**	(5,757)
	(5,033)	(7,074)

7. PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**505,891**	449,372
Cost of services provided	**113,485**	108,675
Depreciation of items of property, plant and equipment	**21,254**	21,140
Amortisation of prepaid land lease payments	**—**	1,688
Depreciation of right-of-use assets	**2,063**	—
Amortisation of intangible assets (included in cost of sales)	**9,645**	9,941
Total depreciation and amortisation	**32,962**	32,769
Lease expenses under operating leases	**—**	1,912
Rental expenses from short-term leases	**1,868**	—
Rental expenses from leases of low-value assets	**767**	—

8. INCOME TAX

The PRC subsidiaries of the Group are subject to Enterprise Income Tax at the rate of 25% during the current and prior periods.

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 current and prior periods.

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China	**64,430**	73,900
Deferred	**987**	(626)
Total tax charge for the period	**65,417**	73,274

9. DIVIDENDS

	Note	Six months ended June 30, **2019** *RMB'000* (Unaudited)	2018 *RMB'000* (Unaudited)
Dividend recognised as distribution during the period:			
2018 final dividend — RMB0.1055 (2017: RMB0.0900) per ordinary share	(i)	**136,767**	116,725

Note:

(i) On May 30, 2019, a resolution was passed at the annual general meeting. The Company declared the final dividend of HKD12 cents per share in respect of the year ended December 31, 2018 with total dividends of approximately HKD155,601,000 (equivalent to approximately RMB136,767,000) to shareholders whose names appear on the register of members of the Company on July 18, 2019. The dividend was paid on July 29, 2019.

On May 31, 2018, a resolution was passed at the annual general meeting. The Company declared the final dividend of HKD11 cents per share in respect of the year ended December 31, 2017 with total dividends of approximately HKD142,634,000 (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 directors do not recommend the payment of an interim dividend for the six months ended June 30, 2019 (six months ended June 30, 2018: Nil).

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

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Parent is based on the following data:

	Six months ended June 30, **2019** *RMB'000* (Unaudited)	2018 *RMB'000* (Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**183,121**	201,990

	Six months ended June 30,	
	2019	2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**1,250,418**	1,276,937
Effect of dilutive potential ordinary shares: non-vested shares under the Scheme	**—**	1,936
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,250,418**	1,278,873

The weighted average number of shares used for the purpose of calculating the basic earnings per share for six months ended June 30, 2019 and 2018 has been arrived at after adjusting the effect of shares repurchased and held by the Scheme.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2019, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB9,080,000 (six months ended June 30, 2018: RMB28,143,000).

12. INTANGIBLE ASSETS

The intangible assets of the Group represent operating rights under IOT agreements and sponsorship rights and services contracts. Operating rights under IOT agreements have finite useful lives and are amortised on a straight-line basis over the operating period set out in the IOT agreements which ranged from 16 to 20 years as at June 30, 2019 (December 31, 2018: 16 to 48 years). Sponsorship rights and services contracts have indefinite useful lives.

The Group reclassified the operating right under IOT arrangement of Beijing Yan Hua Hospital (北京燕化醫院) ("**Yan Hua Hospital**") amounting to RMB157,665,000 to other receivables during the six months ended June 30, 2019. For the detailed information please refer to note: 18.

13. INTERESTS IN ASSOCIATES

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interests in associates	**10,003**	23,741

The Group has entered into an equity investment agreement (the "**Agreement**") with China Energy Engineering Group Asset Management Company Limited (中國能源建設集團資產管理有限公司) ("**CEEC Asset Management**") dated October 25, 2018, in which the Company and CEEC Asset Management have agreed to form a company named Run Neng Medical Management Company Limited (潤能醫療管理有限公司) ("**Run Neng Company**"). In May 2019, the Group invested RMB10,000,000 to the registered capital of Run Neng Company.

In addition, one of the Group's associates UMP Beijing has been voluntarily liquidated on May 31, 2019 and its assets have been distributed to its shareholders in form of cash. According to the percentage of shareholding, the Group totally received RMB23,619,000.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

For the details and movements of right-of-use assets and lease liabilities, please refer to note 2.2(a) Adoption of IFRS 16.

15. OTHER NON-CURRENT ASSET

Other non-current asset of the Group refers to the building of 999 Medical Clinic (Shenzhen) Company Limited (三九醫療門診部(深圳)有限責任公司) ("999 Clinic"). 999 Clinic stopped its business due to its building has been demolished by a real estate company — Jia Zhao Ye Group (Shenzhen) Company Limited (佳兆業集團(深圳)有限公司), which undertakes an urban reconstruction project. According to the agreement, properties whose floor area is no less than that of the demolished building will be given to 999 Clinic in compensation when the properties are available.

16. TRADE RECEIVABLES

The Group allows a credit period of approximately 30 days for the professional medical consultation service provided to third parties, 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 hospital and the Sponsored Hospitals, and 90 days to 180 days for the hospital management services to the IOT hospitals, the Sponsored Hospitals and an OT hospital after issuing the invoice. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**557,086**	498,571
Impairment	**(65)**	(65)
	557,021	498,506

An aging analysis of the trade and bills receivables, based on the billing date and net of loss allowance, as at the reporting date is as follows:

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 60 days	**280,778**	276,150
61 to 180 days	**117,599**	147,280
Over 180 days	**158,644**	75,076
	557,021	498,506

As at June 30, 2019, included in the Group's trade receivables balances are debtor with aggregate carrying amount of RMB101,647,000 (December 31, 2018: 75,076,000) is not considered as in default, which is past due 90 days or more as at the reporting date.

17. CONTRACT ASSETS

The contract assets primarily relate to the Group's right to consideration for service completed and not billed because the rights are conditioned on the Group's performance rating assessments as stipulated in the contracts at the reporting date in respect of hospital management services. The contract assets are transferred to trade receivables when the rights become unconditional i.e. when the Group's performance rating assessments are finalised.

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Hospital management service	**9,301**	9,464

18. PREPAYMENTS AND OTHER RECEIVABLES

As disclosed in the announcements dated January 15, 2019, January 21, 2019 and April 17, 2019. Beijing Yan Hua Phoenix Healthcare Asset Management Company Limited (北京燕化鳳凰醫療資產管理有限公司) ("**Yan Hua Phoenix**") and Beijing Yan Hua Hospital (北京燕化醫院) ("**Yan Hua Hospital**") unilaterally terminated the Yan Hua IOT Agreement from January 21, 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 April 17, 2019 to seek the court's ruling that the unilateral termination of the Yan Hua IOT Agreement by Yan Hua Phoenix and Yan Hua Hospital on January 21, 2019 shall be void.

Accordingly, the Group reclassified the receivables and operating right under IOT arrangement of Yan Hua Hospital amounting to RMB189,812,000 to other receivables during the six months ended June 30, 2019.

19. 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:

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 60 days	**146,036**	152,924
61 to 180 days	**53,667**	53,331
Over 180 days	**11,112**	17,827
	210,815	224,082

20. BORROWINGS

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans	**483,814**	490,672
Carrying amount repayable:		
Within one year	**483,814**	490,672

In March 2017 and June 2018, the Group entered into a loan agreement and a supplementary agreement (collectively referred to as the "**Loan Agreement**") with Development Bank of Singapore ("**DBS**"), which are unsecured, bearing a floating interest rate at HIBOR plus 0.88% per annum. Under the Loan Agreement, the Company borrowed eleven loans in total, out of which two loans were borrowed during the six months ended June 30, 2019 (year ended December 31, 2018: seven), and bank borrowings of HKD20,000,000 were repaid during the six months ended June 30, 2019. The principals of these bank loans are HKD550,000,000 (December 31, 2018: HKD560,000,000). As at June 30, 2019, the unused banking facilities are HKD1,450,000,000 (December 31, 2018: HKD1,440,000,000).

21. SHARE CAPITAL

	Number of shares	Share capital	Share capital
		HKD'000	*RMB'000*
Ordinary shares of HKD0.00025 each			
Authorised			
At January 1, 2018 (unaudited) and June 30, 2018 (unaudited) January 1, 2019 (unaudited) and June 30, 2019 (unaudited)	3,040,000,000	760	633
Issued and fully paid			
At January 1, 2018 (unaudited) and June 30, 2018 (unaudited) January 1, 2019 (unaudited) and June 30, 2019 (unaudited)	1,296,676,516	325	267

22. CAPITAL AND OTHER COMMITMENTS

The following is the details of capital expenditure and other commitment contracted for but not provided in these condensed consolidated financial statements.

	Notes	**June 30, 2019**	December 31, 2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Capital expenditure			
In respect of acquisition of property, plant and equipment		**7,734**	8,875
Other commitment			
In respect of Repayable Investment Amounts to IOT hospitals under IOT agreements	i	**542,917**	538,000
In respect of equity investment	ii	**197,232**	—
		747,883	546,875

Notes:

(i) On June 10, 2019, the Group signed an agreement with the Beijing Mentougou Hygiene and Health Committee. According to the agreement the Group will invest all the hospital management revenue earned from Mentougou Hospital, Mentougou Hospital for Women and Children and Mentougou Traditional Chinese Medicine Hospital to these three hospitals for their development form January 1, 2018 to December 31, 2020. Thus the increased amount of commitment represents this revenue needed to be returned in the following periods.

(ii) Pursuant to the Agreement, the Group commits its capital contribution to Run Neng Company which shall be made in cash in the amount of RMB197,232,000 in the near future.

23. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hospital management and consulting services		
Yan Hua Hospital(i)	—	3,163
GPO business		
Yan Hua Hospital	—	17,103
Other hospital-derived services		
A subsidiary controlled by China Resources Company Limited ("**CR Co.**") (ii)	**274**	—
Purchases of Goods		
Subsidiaries controlled by CR Co.	**18,129**	26,328
Interest income on bank deposits		
A subsidiary controlled by CR Co.	**2,670**	—

(i) Yan Hua Hospital is an entity controlled by the close family members of a substantial shareholder with significant influence over the Company previously. The substantial shareholder of the Company had disposed all the shares of the Company it held from January 24, 2018 to January 25, 2018; the Group ceased to have any representative holding the position of council member in Yan Hua Hospital from then on. Thus Yan Hua Hospital is no longer considered as the Group's related party since January 25, 2018 and the related party transactions with Yan Hua Hospital disclosed for the prior interim period is the transactions made from January 1, 2018 to January 25, 2018. Further details please refer to the Company's announcement dated January 25, 2018.

(ii) Fellow subsidiaries of China Resources Healthcare Group Limited which has significance influence over the Company.

(b) Outstanding balances with related companies

Amounts due from related companies

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Subsidiaries controlled by CR Co.		
Trade in nature	**551**	3,716
Non-trade in nature	**8,330**	2,323
	8,881	6,039

An ageing analysis of the trade-related receivables as at the end of the reporting period, based on the invoice date, is as follows:

	June 30, 2019 *RMB'000* **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Within 60 days	**551**	3,712
61 to 180 days	**—**	4
	551	3,716

The amounts due from related companies are unsecured, interest-free and repayable within one year.

Amounts due to related companies

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Subsidiaries controlled by CR Co.		
Trade in nature	**1,746**	2,837
Non-trade in nature	**598**	410
	2,344	3,247

The amounts due to related companies are unsecured, interest-free and repayable on demand.

Cash and bank balances

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and bank balances :		
Subsidiaries controlled by CR Co.	**183,437**	154,167

Bank balances carried interest at a rate of 0.35% per annum (December 31, 2018: 0.35% per annum).

(c) Compensation of key management personnel of the Group

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**25,958**	5,686
Post-employment benefits	**247**	110
Equity-settled shared-based payment expense	**1,133**	—
Total compensation paid to the key management personnel	**27,338**	5,796

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of the reporting period, are as follows:

	Carrying amount		Fair value	
	June 30, 2019	December 31, 2018	**June 30, 2019**	December 31, 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial assets				
Financial assets at fair value:				
Financial assets at FVTPL	**449,854**	451,744	**449,854**	451,744
Loans and receivables:				
Receivables from IOT hospital	**116,036**	108,974	**116,036**	108,974
Financial assets included in prepayments, deposits and other receivables, non-current portion	**53,865**	52,687	**53,593**	52,374
	619,755	613,405	**619,483**	613,092

Management has assessed that the fair values of cash and bank balances, certificate of deposits, the current portion of trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, the current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with the senior management twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of receivables from IOT hospitals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Assets measured at fair value:

June 30, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Financial assets at FVTPL	**128,401**	**321,453**	**—**	**449,854**

December 31, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Financial assets at FVTPL	136,744	315,000	—	451,744

25. EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there was no any significant subsequent event since June 30, 2019.

26. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 30, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Since the promulgation of the "*Opinions on the State Council of the People's Republic of China on further reform of the Medical and Health System*" (《中共中央國務院關於深化醫藥衛生體制改革的意見》) on March 17, 2009, China's new stage of medical reform has been launched for ten years. The medical reform has a clear direction to move forward, as various tasks were orderly implemented and certain milestones have been reached. With the government's implementation of the "Healthy China" strategy, the development of healthcare sector in China has become unprecedentedly important; and the principal focus has changed from provision of medical treatment to promotion of healthcare of citizens which emphasizes on illness prevention and health promotion, based on the principle of "maintaining basic coverage, enhancing capabilities of lower-level medical institutions and facilitating the system and mechanism". The reform also follows both guidance of the government and the driving force in the market, and aiming to connect three factors that are healthcare, medical insurance and pharmaceutical.

During the Reporting Period, the National Health Commission, together with ten government authorities including the National Development and Reform Commission, the Ministry of Finance and the National Healthcare Security Administration, jointly issued the "*Opinions on Promoting the Sustainable and Regulated Development of Social Entities' Participation in Healthcare Industry*" (《關於促進社會辦醫持續健康規範發展的意見》) which includes a total of 22 initiatives in the six aspects to encourage the development of medical institutions by social capital with the government support, simplifying the procedures in seeking government approval for industry's entry, clarifying the complementary mechanism between public and private medical institutions, and further promoting the sustainable and healthy development of private medical institutions. Medical institutions as established by social capital shall play an important role in China's medical and healthcare service system, and have great potential in business development. At the same time, a series of measures of the medical reform such as the elimination of mark-ups on drugs and consumables, the implementation of national-level drug procurement, and the reform of medical insurance payment methods have created rooms for price adjustment of medical services, and increase the incentive for hospitals to further refine its operation and management.

As a social practitioner in healthcare industry and at the same time an entity with state-owned capital, CR Medical has been actively involved in the reform of state-owned enterprises' hospitals and public medical institutions. We have accumulated numerous successful cases and also gained valuable experiences in various challenges. We strongly believe that our capabilities in hospital's operation and management are our foundation to become a scalable hospital management group. Our philosophy is to continue to improve medical technology, continuously enhance operational efficiency, and provide patients with satisfactory experience and environment form. Our original intention has enabled us to focus on healthcare business, made us strive and support the country's medical reform, continue to temper our own strength, and make our best efforts to become the world's renowned and leading medical group.

The consolidated revenue of the Group for the six months ended June 30, 2019 amounted to RMB965 million (same period of last year: RMB916 million, representing a year-on-year increase of 5.3%); net profit for the period amounted to RMB189 million (same period of last year: RMB207 million). Earnings per share of the Company amounted to RMB0.15 (same period of last year: RMB0.16).

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

Province/City	Grade III Hospitals	Grade II Hospitals	Grade I Hospitals and Community Centres	Clinics & other Medical Institutions	Total
Beijing[1]	1	5	11	28	45
Hebei	—	1	—	—	1
Shandong[2]	—	1	—	8	9
Shanxi[1]	—	1	—	—	1
Jiangsu	—	1	—	—	1
Anhui[1]	1	6	16	6	29
Hubei	2	—	3	13	18
Guangdong[1]	1	1	—	1	3
Guangxi[1]	—	1	1	—	2
Hainan	—	—	—	1	1
Total	5	17	31	57	110

Notes:

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

(2) Pursuant to the hospital operation and management agreement which was entered into between the Group, Tai'an Taishan Urban and Rural Development Limited Company* (泰安泰山城鄉建設發展有限公司) and Tai'an City High Speed Rail New District Development Centre* (泰安市高鐵新區建設發展中心) dated March 21, 2018, the Group provides operation and management services to Tai'an City Hospital for a cooperation term of 20 years. Tai'an City Hospital is located in High Speed Rail New District of Tai'an which is currently under construction and expected to start operation in the fourth quarter this year.

Operating data for 2019H1

			Number of patients		Revenue from medical business (RMB'000)			
Type	Number of beds in operation	Utilization rate of beds	Number of outpatients	Number of inpatients	Revenue from outpatient visits	Revenue from inpatient visits	Revenue from physical examination	Total
For-profit hospitals	**385**	**85.7%**	**405,310**	**7,116**	**189,250**	**133,590**	**3,873**	**326,713**
Sponsored hospitals	**6,658**	**78.6%**	**1,876,978**	**91,423**	**554,044**	**1,160,838**	**18,693**	**1,733,575**
IOT hospitals	**3,148**	**72.4%**	**1,846,924**	**28,659**	**719,986**	**497,738**	**19,634**	**1,237,358**
Subtotal	**10,191**	**77.0%**	**4,129,212**	**127,198**	**1,463,280**	**1,792,166**	**42,200**	**3,297,646**

Operating data for 2018H1

			Number of patients		Revenue from medical business (RMB'000)			
Type	Number of beds in operation	Utilization rate of beds	Number of outpatients	Number of inpatients	Revenue from outpatient visits	Revenue from inpatient visits	Revenue from physical examination	Total
For-profit hospital(s)	391	85.8%	420,577	6,628	199,939	126,955	4,417	331,311
Sponsored hospitals	5,834	80.2%	1,229,621	77,911	367,755	924,932	11,230	1,303,917
IOT hospitals	3,837	82.0%	2,192,296	35,872	884,966	636,950	16,905	1,538,821
Subtotal	10,062	81.1%	3,842,494	120,411	1,452,660	1,688,837	32,552	3,174,049

Notes:

During the Reporting Period:

(1) For-profit hospitals include: Jian Gong Hospital and 999 Clinic (which was excluded in 2019 H1).

(2) Sponsored hospitals include: Guangdong 999 Brain Hospital, Huaikuang Hospital Group, Xukuang Hospital, Wugang Hospital Group and the Run Neng Hospitals (which were newly added in 2019H1).

(3) IOT hospitals include: Yan Hua Hospital Group (which was excluded in 2019 H1), 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. Please refer to the section headed "Management Discussion and Analysis — Supplementary Information" in this announcement for details of update of Yan Hua IOT Agreement during the Reporting Period.

(4) OT hospital(s) include: Tai'an City Hospital, which is currently under construction and has not commenced operation.

Financial data

Financial data for 2019H1

2019H1 RMB'000	Total	Segment result For-profit hospitals	 Sponsored hospitals	 IOT/OT hospitals	 Other derived businesses	Administrative expenses	Other gains and expenses
Revenue from goods and services	**964,939**	**337,088**	**187,790**	**422,136**	**17,925**	—	—
Cost of sales and services	**(619,376)**	**(250,396)**	**(76,105)**	**(286,114)**	**(6,761)**	—	—
Other income	**7,729**	**670**	—	**5,250**	**1,809**	—	—
Other gains and losses	**(377)**	**(377)**	—	—	—	—	—
Selling and distribution expenses	**(6,965)**	**(1,061)**	**(1,421)**	**(4,483)**	—	—	—
Administrative expenses	**(54,141)**	**(30,686)**	**(4,176)**	**(14,958)**	**(4,321)**	—	—
Other expenses	**(1,596)**	**(497)**	—	—	**(1,099)**	—	—
Segment results	**290,213**	**54,741**	**106,088**	**121,831**	**7,553**	**N/A**	**N/A**
Headquarters operating expenses	**(52,867)**	—	—	—	—	**(52,867)**	—
Other profit or loss	**22,329**	—	—	—	—	—	**22,329**
Finance costs	**(7,446)**	—	—	—	—	—	**(7,446)**
Share of profit of joint ventures/associates	**1,712**	—	—	—	—	—	**1,712**
Income tax	**(65,417)**	—	—	—	—	—	**(65,417)**
Net profit or loss	**188,524**	**54,741**	**106,088**	**121,831**	**7,553**	**(52,867)**	**(48,822)**
Revenue from medical business *(Note)*	**3,297,646**	**326,713**	**1,733,575**	**1,237,358**	—	**N/A**	**N/A**

Note: Among the revenue from medical business, only the portion of for-profit hospitals amounting to about RMB327 million has been included in the consolidated revenue of the Group, whilst the medical business revenue of the sponsored hospitals and IOT/OT hospitals in aggregate of about RMB2.971 billion was not included in the Group's consolidated revenue and only the management fee income and supply chain business income derived from the latter two types of hospitals were included in the Group's consolidated revenue.

Financial data for 2018H1

2018H1 RMB'000	Total	Segment results: For-profit hospitals	Segment results: Sponsored hospitals	Segment results: IOT/OT hospitals	Segment results: Other derived businesses	Administrative expenses	Other gains and expenses
Revenue from goods and services	916,117	344,645	106,841	446,202	18,429	—	—
Cost of sales and services	(558,047)	(261,215)	(10,461)	(279,480)	(6,891)	—	—
Other income	8,263	1,377	—	6,886	—	—	—
Other gains and losses	(1,317)	(1,317)	—	—	—	—	—
Selling and distribution expenses	(8,965)	(1,655)	(501)	(6,779)	(30)	—	—
Administrative expenses	(59,143)	(29,578)	(5,692)	(22,105)	(1,768)	—	—
Other expenses	(11)	(11)	—	—	—	—	—
Segment results	296,897	52,246	90,187	144,724	9,740	N/A	N/A
Headquarters operating expenses	(34,328)	—	—	—	—	(34,328)	—
Other profit or loss	19,135	—	—	—	—	—	19,135
Finance costs	(2,002)	—	—	—	—	—	(2,002)
Share of profit of joint ventures/associates	219	—	—	—	—	—	219
Income tax	(73,274)	—	—	—	—	—	(73,274)
Net profit or loss	206,647	52,246	90,187	144,724	9,740	(34,328)	(55,922)
Revenue from medical business *(Note)*	3,174,049	331,311	1,303,917	1,538,821	—	N/A	N/A

Note: Among the revenue from medical business, only the portion of for-profit hospitals amounting to about RMB331 million has been included in the consolidated revenue of the Group, whilst the medical business revenue of the sponsored hospitals and IOT/OT hospitals in aggregate of about RMB2.843 billion was not included in the Group's consolidated revenue and only the management fee income and supply chain business income derived from the latter two types of hospitals were included in the Group's consolidated revenue.

Segment Results

During the Reporting Period, the Group fully implemented the strategy of improving quality and enhancing efficiency, and as a result the performance of our network hospitals increased steadily which effectively offset the adverse effects brought by the Yan Hua IOT Agreement dispute. In the first half of 2019, the aggregated results of all segments amounted to about RMB290 million, which slightly decreased by approximately 2.3% as compared with the same period of the previous year. Excluding the profit contribution of the Yan Hua Hospital Group to the Group during the corresponding periods, the aggregate results of all segments in the first half of 2019 and the same period of the prior year was RMB286 million and RMB234 million, respectively, representing a growth of 22.3%.

Segment Results — For-Profit Hospital(s)

As the site of our 999 Clinic has been included in the local demolition plan, its operation is temporarily suspended. Therefore, in the first half of 2019, Jian Gong Hospital is the only for-profit hospital of the Group. During the Reporting Period, due to the demolition, relocation and suspension of the operation of 999 Clinic and the self-initiated control of the average expenses of Jian Gong Hospital in order to ensure better utilization of medical insurance funds, the medical business revenue of the for-profit hospital segment decreased slightly by 1.4% year-on-year, but the segment results recorded an increase of 4.8% and reached approximately RMB55 million, and profit margin of such segment also increased to 16.8% from 15.8% in the same period last year.

For-profit hospital(s)	**2019H1**	2018H1	Year-on-Year Change	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue from medical business	**326,713**	331,311	(4,598)	–1.4%
General healthcare services	**26,967**	24,381	2,586	10.6%
Third-party supply chain service fees	**10,375**	13,334	(2,959)	–22.2%
GPO gross profit	**19,823**	19,500	323	1.7%
Profit contribution	**57,165**	57,215	(50)	–0.1%
Operating expenses and other profit or loss	**(2,424)**	(4,969)	2,545	–51.2%
Segment results	**54,741**	52,246	2,495	4.8%
Segment profit margin	**16.8%**	15.8%	1ppt	

Segment Results — Sponsored Hospitals

In the first half of 2019, the newly acquired Run Neng Hospitals contributed about RMB197 million to our medical business revenue, which led to a 33.0% Year-on-Year increase in medical business revenue of such segment to RMB1.734 billion. Although the contribution of the newly acquired sponsored hospitals (i.e. the Run Neng Hospitals) was limited during the period, its revenue growth has driven the segment profit to increase by 17.6% Year-on-Year to RMB106 million. The profit margin of such segment (excluding the Run Neng Hospitals) remained unchanged as of the same period of last year which was 6.9%.

Sponsored hospitals	**2019H1**	2018H1	Year-on-Year Change	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue from medical business *(Note)*	**1,733,575**	1,303,917	429,658	33.0%
Hospital management services fees	**53,037**	40,738	12,299	30.2%
Third-party supply chain service fees	**50,161**	54,086	(3,925)	−7.3%
GPO gross profit	**9,154**	1,556	7,598	488.3%
Profit contribution	**112,352**	96,380	15,972	16.6%
Operating expenses and other profit or loss	**(6,264)**	(6,193)	(71)	1.1%
Segment results	**106,088**	90,187	15,901	17.6%
Segment profit margin	**6.1%**	6.9%	−0.8ppt	

Note: In the first half of 2019, the revenue from sponsored hospitals' medical business included the contribution of the newly acquired Run Neng Hospitals during the Reporting Period which amounted to approximately RMB197 million.

Segment Results — IOT/OT Hospitals

Due to adverse effects of the Yan Hua IOT Agreement dispute, the medical business revenue as well as the results of the IOT/OT hospitals segment decreased by 19.6% and 15.8%, respectively. Excluding the impacts of the Yan Hua Hospital Group on such segment during the corresponding two periods, as a result of the Group's improvement in its operation efficiency and quality, the medical business revenue of the IOT/OT hospital segment has increased by 8.3% Year-on-Year to RMB1.237 billion, and the segment results increased significantly by 44.2% from RMB82 million in the same period last year to RMB118 million.

IOT/OT hospitals	**2019H1**	2018H1	Year-on-Year Change	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue from medical business *(Note 1)*	**1,237,358**	1,538,821	(301,463)	−19.6%
Hospital management services fees	**49,682**	50,722	(1,040)	−2.1%
Third-party supply chain service fees	**41,622**	52,950	(11,328)	−21.4%
GPO gross profit	**61,586**	73,630	(12,044)	−16.4%
Profit contribution	**152,890**	177,302	(24,412)	−13.8%
Operating expenses and other profit or loss	**(31,059)**	(32,578)	1,519	−4.7%
Segment results *(Note 2)*	**121,831**	144,724	(22,893)	−15.8%
Segment profit margin	**9.8%**	9.4%	0.4ppt	

Notes:

(1) The revenue from medical business of the IOT/OT Hospital segment did not include the contribution of the Yan Hua Hospital Group in the first half of 2019. In the first half of 2018, Yan Hua Hospital's contribution in medical business revenue of such segment was RMB396 million.

(2) The results of the IOT/OT Hospital segment in the first half of 2019 included the contribution of the Yan Hua Hospital Group which amounted to approximately RMB4.20 million, whilst in the first half of 2018, Yan Hua Hospital's profit contribution was approximately RMB63 million.

Segment Results — Other derived businesses

During the Reporting Period, the segment results of the other derived businesses of the Group was approximately RMB7.55 million, representing a decrease of 22.5% when compared with the same period last year. Such decrease was due to the decrease of income generated from consultation business, and also the growth in the relevant costs as a result of the expansion of physician companies and clinic network.

Headquarters operating expense

During the Reporting Period, the total operating expenses of the headquarters amounted to approximately RMB53 million (the same period of 2018: RMB34 million), accounting for 49.4% of the total administrative expenses of the Group (the corresponding period of 2018: 36.7%) and such an increase was mainly due to the increase in staff costs.

Other profit or loss

During the Reporting Period, other profit or loss of the Group totaled approximately RMB22 million (the corresponding period of 2018: RMB19 million), which mainly included the income from bank financial products, and the change in the fair value of shares of UMP Healthcare Holdings as held by the Group and the exchange gains and losses.

Finance costs

During the Reporting Period, the total finance costs of the Group amounted to approximately RMB7 million (the corresponding period of 2018: RMB2 million), which was mainly due to the increase in the balance of bank loan as well as the increase in bank interest rates.

Income tax expenses

During the Reporting Period, the Group's income tax expenses amounted to RMB65 million (the same period in 2018: RMB73 million). The effective income tax rate of the Group's recurring business was 25.8% (the same period in 2018: 26.2%).

Net profit

The Group's originally in network hospitals delivered satisfactory performance during the Reporting Period, which effectively offset the adverse impact of the Yan Hua IOT Agreement dispute. In the first half of 2019, the Group's net profit was RMB189 million, representing a decrease of 8.8% year-on-year. By excluding the profit (after tax) contributed by Yan Hua Hospital to the Group during the Reporting Period and also the corresponding period in 2018 which respectively amounted to RMB3 million and RMB47 million, the Group's net profit for the first half of 2019 was RMB185 million (the same period of 2018: RMB160 million), representing an increase of 15.8% Year-on-Year.

SUPPLEMENTARY INFORMATION

Update of Yan Hua IOT Agreement

As disclosed in the Prospectus 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, provides certain services to YHHG, and is entitled to receive management fees for such services with the term 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, the 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 was arranging to unilaterally terminate 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 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 April 17, 2019 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. The Group has further claimed that the Yan Hua IOT Agreement should continue to be performed in full and Yan Hua Phoenix and Yan Hua Hospital should be liable for damages for breach of the Yan Hua IOT Agreement. The Company will use its best endeavours and take all appropriate actions to protect the interests of the Company and the Shareholders. In respect of the above, please refer to the announcements published by the Company on January 15, 2019, January 21, 2019 and April 17, 2019 for more details.

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, 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 FVTPL. As at June 30, 2019, the fair value of the investment in UMP Healthcare Holdings was approximately RMB128 million.

Investment in UMP Beijing

Details of the Group's prior investment in UMP Beijing have been disclosed in the Company's annual reports in prior years. UMP Beijing has been voluntarily liquidated on May 31, 2019 and its assets has been proportionally distributed to its former shareholders in form of cash.

Future Plans for Material Investment or Capital Assets

Save for the capital requirements in respect of the involvement in the proposed reform of Jing Mei Hospital Group and further investments in the Run Neng Hospitals, the Directors confirmed that, as at the date of this announcement, there are currently no concrete plans to acquire any material investment or capital assets other than those conducted in the Group's ordinary course of business.

Outlook

In the second half of 2019, we will continue to focus on developing a standardised hospital operation and management system, refining operations of different disciplines, improving our service to patients in order to enhance our capabilities in the operation and management of our network hospitals and building a better brand name in patient experience. In respect of business expansion, we aim to acquire core medical assets and expand our hospital network, building regionally integrated collaborative medical system with good quality and high efficiency, exploring the opportunities in for-profit specialists medical centers, expanding our business scale in the healthcare industry, and maintaining leading position in the market in the country's key areas with rapid development, the areas within the China Resources Healthcare Strategy, the areas with great potential in economic development, and the areas where the group of CR Holdings has already had an advantageous layout in business development. At the same time, we shall also focus on innovation of healthcare business, enhance the professional value of our physician companies, support the development of hospital disciplines, build the business uniqueness of our UCC clinics, enhance the operational efficiency of our custody clinics, and build an exclusive hospital information platform and a comprehensive telemedicine network; integrate regional superior resources and explore the operation model of medical technology center.

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 June 30, 2019, the Group's consolidated cash and bank balance, certificate of deposit and bank financial products amounted to approximately RMB2.0 billion in total (December 31, 2018: RMB1.9 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 (fixed 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 June 30, 2019, the Group had interest-bearing bank borrowings of HK$550 million (equivalent to approximately RMB484 million) (December 31, 2018: HK$560 million (equivalent to approximately RMB491 million)), and unutilised bank facilities with a credit line of HK$1.45 billion (equivalent to approximately RMB1.276 billion). As at June 30, 2019, the Group's amounts payable to the sponsored hospitals of the Group amounted to RMB255 million (December 31, 2018: RMB255 million).

As at June 30, 2019, on the basis of interest-bearing liabilities (excluding payables to hospitals sponsored by the Group) divided by total assets, the Group's gearing ratio was 6.5% (December 31, 2018: 6.7%).

Contingent Liabilities

As at June 30, 2019, the Group did not have any contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Group (December 31, 2018: nil).

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.

The Group is exposed to fair value interest rate risk in relation to receivables from IOT hospitals and loan to a sponsored hospital and cash flow interest risk in relation to floating interest-bearing bank balances, which carry prevailing market interest rates, financial assets at FVTPL and borrowings. The Group currently does not have specific policies in place to manage our interest rate risk and have not entered into interest rate swap to hedge the interest rate exposure, but will closely monitor the interest rate risk in the future.

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. The above measures are detailed in the paragraph headed "Management Discussion and Analysis — Employees and Remuneration Policy and Share Option Scheme" in this announcement.

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

Pledge of Assets

As at June 30, 2019, the Group did not have any significant pledge of assets (December 31, 2018: nil).

Contractual Obligations

As at June 30, 2019, 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 FVTPL, certificates of deposit, cash and cash equivalents, 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.

EMPLOYEES AND REMUNERATION POLICY AND SHARE OPTION SCHEME

As of June 30, 2019, the Group had a total of 1,118 full-time employees (December 31, 2018: 1,120 employees). For the six months ended June 30, 2019, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB162 million (2018H1: RMB152 million). In addition, our Sponsored Hospitals (the financial statements of which were not consolidated to the Group) had a total of 7,423 employees (December 31, 2018: 6,378 employees).

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 (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. During the Reporting Period, no share option was granted, exercised, cancelled or lapsed and there was no outstanding share option under the Share Option Scheme.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended June 30, 2019 (six months ended June 30, 2018: 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 period under review.

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 period under review.

REVIEW OF INTERIM RESULTS

The Audit Committee, comprising two independent non-executive Directors and one non-executive Director, namely Mr. Kwong Kwok Kong (chairman of the Audit Committee), Ms. Chiu Kam Hing Kathy and Mr. Wang Yan, 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, 2019, 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, 2019 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

"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of our Company
"BVI"	the British Virgin Islands
"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 announcement, 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
"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 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)
"Director(s)"	the directors of our Company or any of them
"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 "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
"IFRSs"	International Financial Reporting Standards
"IOT"	the "invest-operate-transfer" model
"IOT hospitals"	third-party hospitals and clinics, which we manage and operate under the IOT model
"Jian Gong Hospital"	Beijing Jian Gong Hospital Co., Ltd.* (北京市健宮醫院有限公司), a limited liability company established under the laws of the PRC on May 12, 2003 and a subsidiary of our Company, and its predecessor, Beijing Construction Worker Hospital (北京市建築工人醫院), before its reform
"Jing Mei Hospital"	Jing Mei Hospital* (北京京煤集團總醫院)
"Jing Mei Hospital Group"	collectively, Jing Mei Hospital and its affiliated hospitals and community clinics
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mentougou Hospital"	Beijing Mentougou Hospital (北京市門頭溝區醫院), a not-for-profit hospital established under the laws of the PRC in 1951 and wholly owned by the Mentougou District government, which we began managing in June 2010 pursuant to the Mentougou IOT Agreement
"Mentougou Hospital for Women and Children"	Mentougou Hospital for Women and Children* (門頭溝區婦幼保健院) incorporated under the laws of the PRC in 1983 and wholly owned by the Mentougou District government, which we began managing in September 2014 pursuant to the Mentougou Hospital for Women and Children IOT Agreement
"Mentougou Hospital for Women and Children IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on September 23, 2014

"Mentougou IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on July 30, 2010, as amended
"Mentougou TCM Hospital IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on June 6, 2012
"Mentougou Traditional Chinese Medicine Hospital"	Mentougou Traditional Chinese Medicine Hospital* (北京市門頭溝區中醫院), a not-for-profit hospital established under the laws of the PRC in 1956 and wholly owned by the Mentougou District government, which we began managing in June 2012 pursuant to the Mentougou TCM Hospital IOT Agreement
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"OT"	the "operate-transfer" model
"OT hospital"	third-party hospital which we manage and operate under the OT model
"Pinyu"	Pinyu Limited, a limited liability company incorporated in the BVI on January 3, 2013, a wholly-owned subsidiary of our Company
"Prospectus"	the prospectus of the Company dated November 18, 2013
"Reporting Period"	the period from January 1, 2019 to June 30, 2019
"RMB"	Renminbi, the lawful currency of the PRC
"Run Neng Hospitals"	collectively, Guangdong CEEC Power Hospital* (廣東中能建電力醫院), Beijing CEEC Hospital* (北京中能建醫院) and Guangxi Hydropower Hospital* (廣西水電醫院) and CEEC Anhui Hospital* (中能建安徽醫院)
"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 Beijing"	UMP Phoenix Healthcare Limited, a limited liability company incorporated in the BVI, which has been voluntarily liquidated on May 31, 2019. It was previously held as to 30% by Pinyu and 70% by UMP China
"UMP China"	UMP Healthcare China Limited, a limited liability company incorporated in the Cayman Islands, and a subsidiary of UMP Healthcare Holdings
"UMP Healthcare Holdings"	UMP Healthcare Holdings Limited (聯合醫務集團有限公司), a limited liability company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange (Stock Code: 722)
"United States" or "U.S."	the United States of America, its territories and possessions, and all areas subject to its jurisdiction
"U.S. dollar" or "US$"	United States dollar, the lawful currency of the United States
"Wugang Hospital"	China Resources Wugang General Hospital* (華潤武鋼總醫院)
"Wugang Hospital Group"	collectively, Wugang Hospital, Wuhan Iron and Steel (Group) Corporation No. 2 Staff Hospital* (武漢鋼鐵(集團)公司第二職工醫院) and certain affiliated hospitals and community clinics
"Xukuang Hospital"	Xuzhou Mining Hospital* (徐州市礦山醫院)
"Yan Hua Hospital"	Yan Hua Hospital* (北京燕化醫院)
"Yan Hua Hospital Group" or "YHHG"	collectively, Yan Hua Hospital and the community clinics affiliated to Yan Hua Hospital

"Yan Hua IOT Agreement"	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 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 30, 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.