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China Resources Medical Holdings Company Limited

華潤醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED DECEMBER 31, 2023**

FINANCIAL HIGHLIGHTS

	2023	2022 (restated)
Revenue (RMB'000)	10,107,500	7,901,287
Profit for the year attributable to owners of the parent (RMB'000)	257,680	265,855
Earnings per share attributable to owners of the parent (Basic & diluted) (RMB)	0.20	0.21
Proposed final dividend per share (RMB)	0.06	0.03

The board of directors (the “**Board**”) of China Resources Medical Holdings Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2023

	Note	2023 RMB'000	2022 (restated) RMB'000
REVENUE	4	10,107,500	7,901,287
Cost of sales		(8,201,663)	(6,595,452)
Gross profit		1,905,837	1,305,835
Other income	5	189,887	228,887
Other gains and losses, net	6	(107,097)	(163,868)
Selling and distribution expenses		(2,728)	(19,532)
Administrative expenses		(970,769)	(808,661)
Finance costs		(131,835)	(71,148)
Impairment losses on financial and contract assets, net		(129,347)	(27,806)
Impairment loss on right-of-use assets		(1,863)	–
Impairment loss on property, plant and equipment		(208,926)	(510)
Impairment loss of goodwill		(141,018)	(108,324)
Share of profits and losses of:			
A joint venture		–	(4,217)
Associates		90,780	92,285
PROFIT BEFORE TAX	7	492,921	422,941
Income tax	8	(165,031)	(94,660)
PROFIT FOR THE YEAR		327,890	328,281
Attributable to:			
Owners of the Company		257,680	265,855
Non-controlling interests		70,210	62,426
		327,890	328,281
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic (RMB yuan)		0.20	0.21
Diluted (RMB yuan)		0.20	0.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2023

	2023	2022
		(restated)
	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR	<u>327,890</u>	<u>328,281</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement (losses)/gains on defined benefit plans, net of nil tax	<u>(14,306)</u>	<u>1,606</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>313,584</u>	<u>329,887</u>
Attributable to:		
Owners of the Company	<u>247,087</u>	267,027
Non-controlling interests	<u>66,497</u>	<u>62,860</u>
	<u>313,584</u>	<u>329,887</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2023

		2023	2022
	<i>Note</i>	<i>RMB'000</i>	(restated) <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,863,851	4,987,692
Right-of-use assets		497,843	429,984
Goodwill		3,599,182	3,740,200
Other intangible assets		45,304	68,657
Investments in associates		982,350	980,453
Receivables from invest-operate-transfer (“IOT”) hospitals		37,434	54,965
Financial assets at fair value through profit or loss (“FVTPL”)		49,084	65,604
Other financial assets at amortised cost		–	526,586
Deferred tax assets		42,178	26,303
Due from related parties		–	5,283
Other non-current assets		<u>107,887</u>	<u>165,560</u>
 Total non-current assets		 <u>10,225,113</u>	 <u>11,051,287</u>
CURRENT ASSETS			
Inventories		302,076	367,475
Trade and bills receivables	<i>11</i>	1,535,652	1,490,670
Contract assets		8,257	21,872
Prepayments, deposits and other receivables		270,499	380,631
Due from related parties		32,213	1,062,448
Other financial assets at amortised cost		–	324,301
Restricted and pledged bank deposits		44,285	18,879
Cash and cash equivalents		<u>1,236,097</u>	<u>3,100,011</u>
 Total current assets		 <u>3,429,079</u>	 <u>6,766,287</u>

		2023	2022
			(restated)
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Trade and bills payables	12	1,731,495	1,734,297
Other payables and accruals		1,670,544	1,698,992
Due to related parties		369,181	303,978
Interest-bearing bank borrowings		1,277,874	1,310,636
Lease liabilities		45,028	38,518
Deferred income		22,809	2,488
Tax payable		90,442	35,401
		<u>5,207,373</u>	<u>5,124,310</u>
Total current liabilities		<u>5,207,373</u>	<u>5,124,310</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,778,294)</u>	<u>1,641,977</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,446,819</u>	<u>12,693,264</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		884,846	1,017,263
Lease liabilities		103,642	35,306
Defined benefit plan obligations		364,426	374,858
Deferred income		23,060	41,449
Deferred tax liabilities		33,783	71,316
Provision		1,930	23,884
Due to related parties		–	449,017
Other liabilities		22,066	26,271
		<u>1,433,753</u>	<u>2,039,364</u>
Total non-current liabilities		<u>1,433,753</u>	<u>2,039,364</u>
Net assets		<u><u>7,013,066</u></u>	<u><u>10,653,900</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		267	267
Reserves		5,811,794	9,505,944
		<u>5,812,061</u>	<u>9,506,211</u>
Non-controlling interests		1,201,005	1,147,689
		<u>1,201,005</u>	<u>1,147,689</u>
Total equity		<u><u>7,013,066</u></u>	<u><u>10,653,900</u></u>

NOTES

December 31, 2023

1. CORPORATE INFORMATION

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

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were mainly engaged in (i) provision of general healthcare services; (ii) provision of hospital management services, sale of pharmaceuticals, medical devices and medical consumables and provision of other services in Chinese Mainland.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at FVTPL which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The comparative information has been restated to account for business combination under common control completed during the year ended 31 December 2023.

As at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB1.78 billion. As at 31 December 2023, the Group has unutilised bank facilities of approximately HKD2.60 billion and RMB4.10 billion (equivalent to approximately RMB6.46 billion in total). The directors of the Company have reviewed the Group's cash flow forecast for the next twelve months and are of the opinion that the Group will have sufficient facilities to repay the liabilities. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following new and amended IFRSs issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of these developments have had a material effect on how the Group's results and financial position for the current period have been prepared or presented.

In addition, the accounting policies that are first adopted by the Group in 2023 are set out below:

Business combinations under common control

An acquisition of a business which is a business combination under common control is accounted for using the pooling of interests method whereby the assets and liabilities acquired are accounted for at carryover predecessor values from the date when the Group and the acquired business are first under common control. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity. The results and cash flows of the acquired business under common control are consolidated from the date when the Group and the acquired business first came under common control.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2024
Amendments to IAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants</i>	1 January 2024
Amendments to IFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to IAS 7, <i>Statement of cash flows</i> and IFRS 7, <i>Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to IAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of facilitating decision-making process of resource allocation and performance assessment. During the reporting period, the Group has changed the structure of its business units based on their services that causes the composition of its reportable segments to the following:

- (a) Hospital Business -- includes outpatient business, inpatient business corresponding to self-owned hospitals.
- (b) Other Business -- includes operation management services, supply chain services and other ancillary services provided to participating hospitals and IOT/OT hospitals.

Comparative figures in the segment information have been adjusted to conform to the current period's presentation.

Segment performance is evaluated based on reportable segment results, which are measurements of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that fair value change of an equity investment at FVTPL, investment income on financial assets at FVTPL, investment income on other financial assets at amortised cost, other unallocated income and gains, foreign exchange differences, net, impairment loss of goodwill, other unallocated expenses and losses are excluded from such measurement.

Segment assets exclude goodwill, unallocated investments in associates, financial assets at FVTPL, other financial assets at amortised cost, cash and cash equivalents and pledged deposits and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

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

Segment revenue and results

Year ended 31 December 2023

	Hospital Business RMB'000	Other Business RMB'000	Total RMB'000
Segment revenue	9,406,153	702,251	10,108,404
Inter-segment revenue	–	(904)	(904)
Consolidated revenue	9,406,153	701,347	10,107,500
Segment cost	(7,671,318)	(530,345)	(8,201,663)
Other income	104,432	202	104,634
Share of profits of associates	–	90,780	90,780
Other gains and losses, net	(12,306)	–	(12,306)
Selling and distribution expenses	(2,207)	(521)	(2,728)
Administrative expenses	(845,686)	(25,595)	(871,281)
Finance costs	(22,436)	–	(22,436)
Impairment losses on financial and contract assets, net	(107,865)	–	(107,865)
Impairment loss on right-of-use assets	(1,863)	–	(1,863)
Impairment loss on property, plant and equipment	(208,926)	–	(208,926)
Segment results	637,978	235,868	873,846
Investment income on other financial assets at amortised cost			18,831
Other unallocated income and gains			72,795
Fair value gains on an equity investment at FVTPL			(16,520)
Impairment loss of goodwill			(141,018)
Foreign exchange differences, net			(77,689)
Other unallocated losses and expenses			(237,324)
Profit before tax			492,921

Year ended 31 December 2022

	Hospital Business (restated) <i>RMB'000</i>	Other Business (restated) <i>RMB'000</i>	Total (restated) <i>RMB'000</i>
Segment revenue	7,053,146	848,968	7,902,114
Inter-segment revenue	<u>–</u>	<u>(827)</u>	<u>(827)</u>
Consolidated revenue	<u>7,053,146</u>	<u>848,141</u>	<u>7,901,287</u>
Segment cost	(5,966,630)	(628,822)	(6,595,452)
Other income	89,682	14,367	104,049
Share of profits of associates	–	92,285	92,285
Other gains and losses, net	(13,203)	(51)	(13,254)
Selling and distribution expenses	(7,995)	(11,442)	(19,437)
Administrative expenses	(649,716)	(60,708)	(710,424)
Finance costs	(13,805)	(13)	(13,818)
Impairment losses on financial and contract assets, net	(21,877)	(643)	(22,520)
Impairment loss on property, plant and equipment	(510)	–	(510)
Share of losses of a joint venture	<u>(4,217)</u>	<u>–</u>	<u>(4,217)</u>
Segment results	<u>464,875</u>	<u>253,114</u>	<u>717,989</u>
Investment income on financial assets at FVTPL			25,115
Investment income on other financial assets at amortised cost			31,777
Other unallocated income and gains			76,457
Impairment loss of goodwill			(108,324)
Foreign exchange differences, net			(158,878)
Other unallocated losses and expenses			<u>(161,195)</u>
Profit before tax			<u><u>422,941</u></u>

Segment assets and liabilities

As at 31 December 2023

	Hospital Business <i>RMB'000</i>	Other Business <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>8,365,531</u>	<u>1,431,481</u>	<u>9,797,012</u>
Unallocated assets			7,906,017
Elimination of inter-segment receivables			<u>(4,048,837)</u>
Total assets			<u>13,654,192</u>
Segment liabilities	<u>5,033,251</u>	<u>12,531</u>	<u>5,045,782</u>
Unallocated liabilities			5,644,181
Elimination of inter-segment payables			<u>(4,048,837)</u>
Total liabilities			<u><u>6,641,126</u></u>

As at 31 December 2022

	Hospital Business (restated) <i>RMB'000</i>	Other Business (restated) <i>RMB'000</i>	Total (restated) <i>RMB'000</i>
Segment assets	<u>8,540,411</u>	<u>1,328,933</u>	<u>9,869,344</u>
Unallocated assets			10,961,140
Elimination of inter-segment receivables			<u>(3,012,910)</u>
Total assets			<u>17,817,574</u>
Segment liabilities	<u>4,795,974</u>	<u>81,954</u>	<u>4,877,928</u>
Unallocated liabilities			5,298,656
Elimination of inter-segment payables			<u>(3,012,910)</u>
Total liabilities			<u><u>7,163,674</u></u>

Geographical information

The Group's operations are located in the PRC, all of the Group's revenue from external customers are generated in the PRC and substantially all of the Group's non-current assets, excluding financial instruments and deferred tax assets, are located in the PRC.

4. REVENUE

(a) Disaggregated revenue information

	2023	2022
	<i>RMB'000</i>	(restated) <i>RMB'000</i>
Types of goods or services		
In-patient	5,473,459	4,084,293
Out-patient	<u>3,932,694</u>	<u>2,968,853</u>
General healthcare services	9,406,153	7,053,146
Other services	<u>701,347</u>	<u>848,141</u>
Total	<u><u>10,107,500</u></u>	<u><u>7,901,287</u></u>
Timing of revenue recognition		
Point in time	4,597,431	3,738,758
Over time	<u>5,510,069</u>	<u>4,162,529</u>
Total	<u><u>10,107,500</u></u>	<u><u>7,901,287</u></u>

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

General healthcare services

Revenue from the provision of general healthcare services is mainly derived from hospital services provided at the consolidated hospitals, which is recognised when the related services have been rendered to customers.

For in-patient services, customers normally receive in-patient treatment which contains various treatment components. Since the patient simultaneously receives and consumes the benefits of the Group's performance in the medical treatment, the relevant revenue of in-patient services is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of individual products or services transferred by the Group to the customer.

Revenue from the provision of out-patient services is recognised at a point in time, i.e. when the services are provided.

Other services

For the hospital management services rendered on various aspects of daily operations of the hospitals, the contracts contain multiple deliverables. As such services have the same pattern of transfer to the customer, it is therefore regarded as a single performance obligation.

Revenue from the provision of hospital management services is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of the services transferred by the Group to the customer. The relevant revenue is recognised based on pre-set formulas set out in the arrangements.

Revenue from the sale of pharmaceuticals, medical devices and medical consumables to non-consolidated hospitals is recognised when control of merchandise is transferred to the customer, i.e. when the merchandise is delivered and simultaneously accepted by the customer.

Revenue from other hospital ancillary services is recognised at a point in time, i.e. when the consultation reports are issued to the customer or when the consultation services are completed.

The Group takes advantage of practical expedient in IFRS15 and does not disclose the remaining performance obligation as the Group's sales contracts either have an original expected duration of less than one year or the revenue is performance-based.

5. OTHER INCOME

	2023	2022
		(restated)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest and investment income on:		
Financial assets at FVTPL	10,529	25,115
Other financial assets at amortised cost	21,291	31,777
Bank deposits	53,513	36,458
Dividend income on an equity investment at FVTPL	3,871	3,249
Government grants*	30,445	29,110
Rental income	5,624	4,900
Canteen income	29,534	31,249
Compensation received	–	14,725
Others	35,080	52,304
	<u>189,887</u>	<u>228,887</u>

* *There are no unfulfilled conditions or contingencies relating to these subsidies.*

6. OTHER GAINS AND LOSSES, NET

	2023	2022
		(restated)
	<i>RMB'000</i>	<i>RMB'000</i>
Change in fair value of an equity investment at FVTPL	(16,520)	5,629
Foreign exchange differences, net	(77,689)	(158,878)
Gain on disposal of a subsidiary	–	5,677
Gain on deregistration of a subsidiary	–	44
Gain on lease termination	–	201
Loss on disposal of items of property, plant, equipment and intangible assets	(2,385)	(309)
Write-down of inventories	(216)	(19)
Others	(10,287)	(16,213)
	<u>(107,097)</u>	<u>(163,868)</u>

7. PROFIT BEFORE TAX

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

	2023	2022
	<i>RMB'000</i>	(restated) <i>RMB'000</i>
Cost of inventories sold	4,477,328	3,630,392
Depreciation of property, plant and equipment	552,590	426,292
Depreciation of right-of-use assets	51,753	53,263
Amortisation of intangible assets (included in cost of sales)	<u>6,520</u>	<u>6,694</u>
Total depreciation and amortisation	<u>610,863</u>	<u>486,249</u>
Wages, salaries, bonuses and allowances	3,097,741	2,413,231
Equity-settled share-based payment expense, net	–	2,164
Pension scheme contributions*		
Defined contribution scheme	290,791	218,371
Defined benefit scheme	<u>17,487</u>	<u>1,462</u>
Total employee benefit expense (including directors' remuneration):	<u>3,406,019</u>	<u>2,635,228</u>
Lease payments not included in the measurement of lease liabilities	9,403	7,686
Auditor's remuneration	<u>4,500</u>	<u>7,454</u>

* *There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.*

8. INCOME TAX

The PRC enterprise income tax has been provided at the rate of 25% (2022: 25%) on the estimated assessable income arising in the PRC during the year. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil).

	2023	2022
	<i>RMB'000</i>	(restated) <i>RMB'000</i>
Current		
Charge for the year	217,132	133,529
Under-provision in prior years	1,307	1,188
Deferred	<u>(53,408)</u>	<u>(40,057)</u>
Total tax charge for the year	<u>165,031</u>	<u>94,660</u>

9. DIVIDENDS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend recognised as distribution during the year:		
Final 2022 – HK3.7 cents (2021: HK12 cents) per ordinary share	43,436	133,042
Less: Dividend for shares held under the Share Award Scheme	<u>(1,083)</u>	<u>(3,441)</u>
	<u>42,353</u>	<u>129,601</u>
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend proposed after the end of the reporting period:		
Proposed final 2023 – RMB6.0 cents (2022: HK3.7 cents, equivalent to approximately RMB3.3 cents) per ordinary share	<u>77,801</u>	<u>43,436</u>

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of RMB257,680,000 (2022: RMB265,855,000 (restated)), and the weighted average number of ordinary shares of 1,264,292,000 (2022: 1,262,019,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2023.

11. TRADE AND BILLS RECEIVABLES

	2023	2022
	<i>RMB'000</i>	(restated) <i>RMB'000</i>
Trade receivables		
Public health insurance programs	1,608,931	1,550,867
Other customers	372,299	369,589
Bills receivables	<u>132</u>	<u>6,698</u>
	1,981,362	1,927,154
Impairment	<u>(445,710)</u>	<u>(436,484)</u>
	<u><u>1,535,652</u></u>	<u><u>1,490,670</u></u>

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

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

	2023	2022 (restated)
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,496,569	1,390,832
1 to 2 years	28,450	53,877
Over 2 years	10,633	45,961
	<u>1,535,652</u>	<u>1,490,670</u>

12. TRADE AND BILLS PAYABLES

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

	2023	2022 (restated)
	<i>RMB'000</i>	<i>RMB'000</i>
Within 60 days	796,279	584,092
61 to 180 days	594,773	764,810
Over 180 days	340,443	385,395
	<u>1,731,495</u>	<u>1,734,297</u>

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

13. BUSINESS COMBINATIONS UNDER COMMON CONTROL

On 25 June 2023, the Group acquired equity interest of below subsidiaries from fellow subsidiaries. Details of the acquired subsidiaries are as follows:

Name of the company	Voting rights/ effective equity interests	Principal activities	Total cash consideration <i>RMB'000</i>
China Resources Healthcare (Liaoning) Group Co., Ltd. (“ Liaoning CR Healthcare ”) (“ 華潤遼寧健康 ”)	76.10%/76.10%	Hospital and corporate management and supply chain services	3,503,219
Shenzhen China Resources Healthcare Industry Development Co., Limited (“ Shenzhen CR Healthcare ”) (“ 深圳華潤健康 ”)	100.00%/100.00%	Supply chain services	139,383
CR Healthcare (Jiangxi) Co. Ltd. (“ JE Subject ”) (“ 江西標的 ”)	80.00%/80.00%	Hospital and corporate management and supply chain services	256,282

As JE Subject, Liaoning CR Healthcare and Shenzhen CR Healthcare and the Group are under common control of China Resources Healthcare Group Limited. (“**CR Healthcare**”) before and after the business combination and the control is not transitory, the acquisition of JE Subject, Liaoning CR Healthcare and Shenzhen CR Healthcare was considered as a business combination involving entities under common control.

The financial performance previously reported by the Group for the year ended 31 December 2022 have been restated to include the operating results of the combining entities from the earliest date presented or since the date when combining entities first came under common control (i.e. 2 June 2022), where this is a shorter period, regardless of the date of the common control combination, as set out below:

	The Group RMB'000 (as previously reported)	Liaoning CR Healthcare RMB'000	Shenzhen CR Healthcare RMB'000	JE Subject RMB'000	Inter- company elimination RMB'000	The Group RMB'000 (as restated)
REVENUE	5,620,461	1,911,652	22,372	418,211	(71,409)	7,901,287
Cost of sales	(4,649,321)	(1,624,519)	(14,777)	(378,244)	71,409	(6,595,452)
Gross profit	971,140	287,133	7,595	39,967	–	1,305,835
Other income	185,938	37,270	158	5,521	–	228,887
Other gains and losses, net	(160,100)	(2,049)	(41)	(1,678)	–	(163,868)
Selling and distribution expenses	(19,532)	–	–	–	–	(19,532)
Administrative expenses	(628,750)	(159,335)	(248)	(20,328)	–	(808,661)
Financial costs	(48,763)	(12,972)	–	(9,413)	–	(71,148)
Impairment losses on financial and contract assets, net	(37,264)	14,537	–	(5,079)	–	(27,806)
Impairment loss on property, plant and equipment	–	(510)	–	–	–	(510)
Impairment loss of goodwill	(108,324)	–	–	–	–	(108,324)
Share of profits and losses of:						
A joint venture	(4,217)	–	–	–	–	(4,217)
Associates	92,285	–	–	–	–	92,285
PROFIT BEFORE TAX	242,413	164,074	7,464	8,990	–	422,941
Income tax	(83,071)	(9,213)	(2,376)	–	–	(94,660)
PROFIT FOR THE YEAR	159,342	154,861	5,088	8,990	–	328,281
OTHER COMPREHENSIVE INCOME						
– re-measurement gains on defined benefit plans	(457)	2,055	–	8	–	1,606
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	158,885	156,916	5,088	8,998	–	329,887
Attributable to						
Owners of the Company	138,576	116,177	5,088	7,186	–	267,027
Non-controlling interests	20,309	40,739	–	1,812	–	62,860
	<u>158,885</u>	<u>156,916</u>	<u>5,088</u>	<u>8,998</u>	<u>–</u>	<u>329,887</u>

The financial position previously reported by the Group as at 31 December 2022 has been restated to include the assets and liabilities of the combining entities recognised at the carrying value based on the controlling shareholder's financial statements (i.e. CR Healthcare) as set out below:

	The Group	Liaoning CR	Shenzhen CR	JE Subject	Inter-company elimination	The Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(as previously reported)					(as restated)
NON-CURRENT ASSETS						
Property, plant and equipment	1,933,225	2,634,834	–	419,633	–	4,987,692
Right-of-use assets	357,708	66,989	–	5,287	–	429,984
Goodwill	2,339,498	1,048,741	–	351,961	–	3,740,200
Other intangible assets	68,657	–	–	–	–	68,657
Investments in associates	980,453	–	–	–	–	980,453
Receivables from invest-operate-transfer (“IOT”) hospitals	54,965	–	–	–	–	54,965
Financial assets at fair value through profit or loss (“FVTPL”)	65,604	–	–	–	–	65,604
Other financial assets at amortised cost	526,586	–	–	–	–	526,586
Deferred tax assets	26,303	–	–	–	–	26,303
Prepayment to related parties	–	3,166	–	2,117	–	5,283
Other non-current assets	76,269	86,341	–	2,950	–	165,560
Total non-current assets	6,429,268	3,840,071	–	781,948	–	11,051,287
CURRENT ASSETS						
Inventories	217,347	120,286	–	29,842	–	367,475
Trade and bills receivables	796,107	537,050	1,238	156,275	–	1,490,670
Contract assets	21,872	–	–	–	–	21,872
Prepayments, deposits and other receivables	312,842	58,362	218	9,209	–	380,631
Due from related parties	22,670	909,942	9,921	129,430	(9,515)	1,062,448
Other financial assets at amortised cost	324,301	–	–	–	–	324,301
Restricted and pledged bank deposits	1,152	–	–	17,727	–	18,879
Cash and cash equivalents	2,977,543	39,668	11,706	71,094	–	3,100,011
Total current assets	4,673,834	1,665,308	23,083	413,577	(9,515)	6,766,287

	Liaoning CR	Shenzhen CR		Inter-company		
The Group	Healthcare	Healthcare	JE Subject	elimination	The Group	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
(as previously reported)					(as restated)	
CURRENT LIABILITIES						
Trade and bills payables	916,921	580,524	–	236,852	–	1,734,297
Other payables and accruals	745,871	813,287	6,886	132,948	–	1,698,992
Due to related parties	147,007	121,881	183	44,422	(9,515)	303,978
Interest-bearing bank borrowings	1,012,756	177,625	–	120,255	–	1,310,636
Lease liabilities	35,052	3,462	–	4	–	38,518
Deferred income	2,488	–	–	–	–	2,488
Tax payable	30,614	4,787	–	–	–	35,401
Total current liabilities	<u>2,890,709</u>	<u>1,701,566</u>	<u>7,069</u>	<u>534,481</u>	<u>(9,515)</u>	<u>5,124,310</u>
NET CURRENT ASSETS	<u>1,783,125</u>	<u>(36,258)</u>	<u>16,014</u>	<u>(120,904)</u>	<u>–</u>	<u>1,641,977</u>
TOTAL ASSETS LESS CURRENT LIABILITIES						
	<u>8,212,393</u>	<u>3,803,813</u>	<u>16,014</u>	<u>661,044</u>	<u>–</u>	<u>12,693,264</u>
NON-CURRENT LIABILITIES						
Interest-bearing bank borrowings	1,007,636	3,600	–	6,027	–	1,017,263
Leased liabilities	32,189	3,117	–	–	–	35,306
Retirement benefit obligations	51,763	317,675	–	5,420	–	374,858
Deferred income	23,734	15,799	–	1,916	–	41,449
Deferred tax liabilities	71,316	–	–	–	–	71,316
Provision	1,431	22,393	–	60	–	23,884
Amounts due to related company	–	–	–	449,017	–	449,017
Other payables and accruals (non-current)	26,271	–	–	–	–	26,271
Total non-current liabilities	<u>1,214,340</u>	<u>362,584</u>	<u>–</u>	<u>462,440</u>	<u>–</u>	<u>2,039,364</u>
NET ASSETS	<u>6,998,053</u>	<u>3,441,229</u>	<u>16,014</u>	<u>198,604</u>	<u>–</u>	<u>10,653,900</u>
EQUITY						
Equity attributable to owners of the Company						
Share capital	267	2,737,242	–	200,000	(2,937,242)	267
Reserves	<u>6,461,622</u>	<u>703,987</u>	<u>16,014</u>	<u>(1,396)</u>	<u>2,325,717</u>	<u>9,505,944</u>
	6,461,889	3,441,229	16,014	198,604	(611,525)	9,506,211
Non-controlling interests	<u>536,164</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>611,525</u>	<u>1,147,689</u>
TOTAL EQUITY	<u>6,998,053</u>	<u>3,441,229</u>	<u>16,014</u>	<u>198,604</u>	<u>–</u>	<u>10,653,900</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The release of the “Plan for Supporting the High-Quality Development of State-owned Enterprises in Operating Medical Institutions” by the end of 2022 highlights the important position and positive role of state-owned enterprises in China’s healthcare service industry. While requiring state-owned hospitals to accelerate their integration into the regional public healthcare network, the policy also encourages state-owned enterprises to innovate their mode of operation and give full play to their advantages in group operation and management. Under the guidance of the national healthcare reform policy, the development of hospitals has moved from the original emphasis on a single indicator to a comprehensive and balanced era of high-quality development. From the perspective of the objective rule of industry development, group hospitalization has been proved to have a higher development ceiling than monolithic hospitals, and will be an important direction for the future reform of the healthcare industry.

In 2023, the Group, as a leading state-owned hospital group in terms of scale, gave full play to its advantages of grouping, accelerated its integration into the regional healthcare planning landscape, fully unleashed its organizational vitality through the entrepreneurial mechanism, and enhanced its core competencies in terms of disciplines construction, patient services and operation and management in an innovative manner, thereby achieving reasonable quantitative growth and effective qualitative enhancement. During the Reporting Period, the Group completed the acquisitions of LH Subjects and JE Subject by the end of June 2023 through the “merger-integration-injection” approach, further expanding its hospital network and laying a solid foundation for future high-quality development.

The Company confirms that according to the IFRS Accounting Standards and the accounting policies of the Group, the Group has retrospectively consolidated the financial results of the LH Subjects and the JE Subject from June 2, 2022 (the date on which the Group, the LH Subjects and the JE Subject started to come under common control). The comparative figures of the Group’s financial statements for the year ended December 31, 2022 (the “**Comparative Figures**”) have been restated, that is, the financial results of the LH Subjects and the JE Subject from June 2, 2022 have been included in Comparative Figures. The Group’s financial results for the Reporting Period have included the financial results of the LH Subjects and the JE Subject starting from January 1, 2023. Further details of the aforesaid transactions and the accounting arrangement could be found in the announcements of the Company dated February 22, 2023, May 17, 2023 and June 30, 2023 and the circular of the Company dated April 27, 2023.

With the effect of the aforesaid accounting arrangement, the consolidated revenue of the Group for the Reporting Period amounted to RMB10.108 billion (FY2022 (restated): RMB7.901 billion), and the consolidated net profit of the Group for the Reporting Period amounted to RMB328 million (FY2022 (restated): RMB328 million). Earnings per share of the Company for the Reporting Period amounted to RMB0.20 (FY2022 (restated): RMB0.21). Among them, the consolidated revenue and the consolidated net profit brought by the LH Member Institutions and JE Member Medical Institutions amounted to RMB4.096 billion and RMB383 million, respectively. During the Reporting Period, self-owned hospitals of the Company recorded a year-on-year improvement in terms of business volume, revenue and operating profit. The number of conventional out-patient visits and in-patient visits of our self-owned hospitals increased by 10.0% and 10.2%, respectively.

Scale of our operation

As at December 31, 2023, the Group managed and operated a total of 134 medical institutions in 10 provinces and cities in the PRC. During the Reporting Period, the number of conventional out-patient visits and in-patient visits of self-owned hospitals were approximately 10,140,000 and 550,000, respectively, representing the respective year-on-year increase of 10.0% and 10.2%.

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	3	4	8	26	41
Liaoning	5	10	10	7	32
Jiangxi	1	3	4	3	11
Shandong	–	1	1	4	6
Shanxi	–	1	–	–	1
Jiangsu	–	2	–	–	2
Anhui	1	1	16	4	22
Hubei	2	–	3	7	12
Guangdong	1	1	–	2	4
Guangxi	–	2	1	–	3
Total	<u>13</u>	<u>25</u>	<u>43</u>	<u>53</u>	<u>134</u>

Operating data for Year 2023

Type	Number of beds in operation	Utilization rate of beds	Number of patients		Revenue from medical business (RMB'000)			Total
			Number of outpatients	Number of inpatients	Revenue from outpatient visits	Revenue from inpatient visits	Revenue from physical examination	
Self-owned Hospitals – LH Member Institutions & JE Member Medical Institutions	18,617	83.7%	10,191,416	554,547	3,706,247	5,473,459	226,447	9,406,153
	<u>11,165</u>	<u>82.4%</u>	<u>4,635,307</u>	<u>318,807</u>	<u>1,577,311</u>	<u>2,387,143</u>	<u>132,710</u>	<u>4,097,164</u>

Operating data for Year 2022

Type	Number of beds in operation	Utilization rate of beds	Number of patients		Revenue from medical business (RMB'000)			Total
			Number of outpatients	Number of inpatients	Revenue from outpatient visits	Revenue from inpatient visits	Revenue from physical examination	
Self-owned Hospitals – LH Member Institutions & JE Member Medical Institutions	19,193	76.3%	16,373,433	503,382	3,400,955	5,060,994	213,350	8,675,299
	<u>11,544</u>	<u>74.1%</u>	<u>8,733,713</u>	<u>287,609</u>	<u>1,401,756</u>	<u>2,312,538</u>	<u>118,827</u>	<u>3,833,121</u>

Notes:

- (1) In respect of the operating data statistics, the abovementioned self-owned hospitals refer to all consolidated hospitals.
- (2) The operating data for years 2022 and 2023 both include full year annual operating data of LH Member Institutions and JE Member Medical Institutions.

Financial data

The table below sets out the key financial figures of the Group by business segments for the specific years:

	2023	2022	Year-on-Year Change	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>Percentage</i>
Hospital Business				
Revenue	9,406,153	7,053,146	2,353,007	33.4%
– Revenue from out-patient visits	3,932,694	2,968,853	963,841	32.5%
– Revenue from in-patient visits	5,473,459	4,084,293	1,389,166	34.0%
Segment gross profit	1,734,835	1,086,516	648,319	59.7%
Segment results	637,978	464,875	173,103	37.2%
Other Business				
Revenue	701,347	848,141	–146,794	–17.3%
Segment gross profit	171,002	219,319	–48,317	–22.0%
Segment results	235,868	253,114	–17,246	–6.8%
Total				
Revenue	10,107,500	7,901,287	2,206,213	27.9%
Segment gross profit	1,905,837	1,305,835	600,002	45.9%
Segment results	873,846	717,989	155,857	21.7%

Notes:

- (1) Hospital business includes: outpatient business, inpatient business corresponding to self-owned hospitals.
- (2) Other business include: operation management services, supply chain services and other ancillary services provided to participating hospitals and IOT/OT hospitals.

Hospital Business

During the Reporting Period, the revenue of outpatient services was RMB3.933 billion, representing a year-on-year increase of 32.5%, and the revenue of inpatient services was RMB5.473 billion, representing a year-on-year increase of 34.0%

During the Reporting Period, the profit of hospital business segment was RMB638 million, representing an increase of 37.2% over the same period last year. Among them: (1) the LH Subjects and JE Subject contributed a profit of RMB479 million during the Reporting Period; and (2) the Stock Hospitals contributed a profit of RMB159 million during the Reporting Period. After excluding the one-time impairment impact of Huaiyin Hospital, during the Reporting Period, the profit of Stock Hospitals was RMB484 million, representing a year-on-year increase of 47.4%. The growth was mainly due to the further improvement of operation and management efficiency.

Other Business

During the Reporting Period, the revenue of other business was RMB701 million, representing a year-on-year decrease of 17.3%, and the profit of other business was RMB236 million, representing a year-on-year decrease of 6.8%.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group mainly generated revenue from the following operations: (1) hospital business; and (2) other business.

During the Reporting Period, the Group achieved revenue of RMB10.108 billion, an increase of 27.9% over the same period last year. Among them, the realized revenue of LH Subjects and JE Subject was RMB4.096 billion.

(1) Hospital business

During the Reporting Period, the revenue of hospital business was RMB9,406 million, representing a year-on-year increase of 33.4%. Among them: (1) the revenue of the LH Subjects and JE Subject during the Reporting Period was 4.096 billion; and (2) the revenue of Stock Hospitals was RMB5.310 billion during the Reporting Period, representing a year-on-year increase of 11.2%. The growth was mainly due to an increase in the number of visits and improved bed utilization.

(2) Other business

During the Reporting Period, the revenue of other business was RMB701 million, representing a year-on-year decrease of 17.3%.

Gross profit and gross margin

During the Reporting Period, the Group's gross profit increased by 45.9% year-on-year to RMB1.906 billion, with a gross profit margin of 18.9%. Among them: (1) the gross profit of the LH Subjects and JE Subject totaled RMB765 million; and (2) the gross profit of Stock Hospitals totaled RMB1.14 billion, representing a year-on-year increase of 17.4%. The improvement of gross profit was mainly due to the significant effect of cost structure adjustment.

Administrative expenditure

During the Reporting Period, the Group's administrative expenses totaled RMB971 million, representing a year-on-year increase of 20.0%. Among them, the administrative expenses of the existing business increased by 3.3% year-on-year, which was lower than the growth rate of revenue, due to the effectiveness of expense control measures.

Impairment

During the Reporting Period, the revenue of Huaiyin Hospital decreased by more than 60% year-on-year, and has declined significantly for two consecutive years. Despite the Group's implementation of a series of measures such as talent recruitment, business transformation and organizational remodeling, in 2023, the performance of Huaiyin Hospital has not turned around significantly, and its operating loss exceeded RMB30 million. An external appraiser has conducted an impairment test on this cash-generating unit (the "CGU"). The recoverable amount of the CGU was determined as the higher of value in use and fair value less cost of disposal. The fair value of the CGU including goodwill is determined based on individual asset/liability items and the key assumption is the estimated price per square metre of buildings. As at December 31, 2023, the carrying amount of the CGU was RMB632 million, and its recoverable amount was RMB246 million. During the Reporting Period, the impairment on goodwill, property, plant and equipment and right-of-use assets amounted to RMB141 million, RMB209 million and RMB2 million, respectively. The relevant amounts have been included in the impairment loss on goodwill, the impairment loss on property, plant and equipment and the impairment loss on right-of-use assets of the Group, respectively. In addition, as at December 31, 2022, the remaining balance of the carrying amount of government service fee receivable of Huaiyin Hospital was RMB73 million, and the loan receivable of Huaiyin District City Asset Management Co., Ltd. was RMB41 million. During the Reporting Period, the relevant parties had no clear payment plans, and the Group has made related impairment of RMB114 million, which has been included in the impairment losses on financial and contract assets, net of the Group. During the Reporting Period, the above impairment losses reduced the profit before tax of the Group by RMB466 million and the net profit of the Group by RMB447 million, respectively.

Income tax

During the Reporting Period, the Group's income tax expense was RMB165 million, representing a year-on-year increase of 74.3% which was mainly due to the increase in profit.

Net profit

During the Reporting Period, the Group's net profit was RMB328 million, representing a year-on-year decrease of 0.1%. Among them, Huaiyin Hospital's one-time impairment reduced the net profit by RMB447 million for the Reporting Period and Huaiyin Hospital's one-time impairment reduced the net profit by RMB153 million during the same period last year. For reference purpose, had the aforesaid one-time impairment been excluded in both years, the net profit of the Group would have increased by 61%.

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 needs relate primarily to operating activities, business expansion, repayment of liabilities as they become due, capital expenditures, interest and dividend payments.

As at December 31, 2023, the Group's consolidated bank balances and cash, certificate of deposit and bank financial products amounted to approximately RMB1.28 billion in total (December 31, 2022 (as restated): approximately RMB3.97 billion) which were primarily in RMB.

As at December 31, 2023, the Group has obtained offshore revolving term loan facility of HK\$3.7 billion (or its equivalent in U.S. dollar or RMB). It is of the term of one year which shall be automatically renewed if the relevant bank does not notify otherwise. In addition, the Group has also obtained from banks in mainland China the facilities of RMB5.27 billion. As at December 31, 2023, the Group had bank borrowings of RMB2.16 billion, among them, RMB2.12 billion of interest-bearing bank loans and RMB40 million of financial discount bank loans (December 31, 2022 (as restated): HK\$2.234 billion and RMB333 million (equivalent to approximately RMB2.328 billion in total), among them, RMB2.29 billion of interest-bearing bank loans and RMB35 million of financial discount bank loans). And unutilized bank facilities of HK\$2.6 billion and RMB4.1 billion (equivalent to approximately RMB6.46 billion). As at December 31, 2023, the Group has higher current liabilities than current assets, mainly due to payments made by the Group during the Reporting Period for the acquisitions of LH Subject Equity, JE Subject Equity and JE Subject Debts. The unused bank facilities currently available to the Company are sufficient to repay the related current liabilities. As at December 31, 2023, the Group's offshore bank borrowings carried interests at floating rates.

As at December 31, 2023, on the basis of interest-bearing liabilities divided by total assets, the Group's gearing ratio was 15.8% (December 31, 2022 (as restated): 13.1%). In addition, the carrying value of each of the Group's wealth management products as at December 31, 2023 did not exceed 5% of the Group's total asset value.

Exposure to Fluctuation in Exchange Rates and Other Risks

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

As at the date of this announcement, the Company has accordingly completed the conversion of foreign currency loans into offshore RMB loans.

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

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

Contingent Liabilities

As at December 31, 2023, the Group did not have any contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Group.

Pledge of Assets

As at December 31, 2023, the Group did not have any material pledge of assets.

Subsequent Event(s)

The Group had no other significant subsequent events occurred after December 31, 2023 which would have material impact on the performance and the value of the Group.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

The Acquisitions of LH Subject Equity, JE Subject Equity and JE Subject Debts

On February 22, 2023, CR Hospital Investment (a wholly-owned subsidiary of the Company) (as transferee) entered into the relevant equity transfer agreement/equity and debt transfer agreement with LR Management and CR Technology (fellow subsidiaries of the Company) (both as transferors), respectively, to acquire 76.10% equity interests in Liaoning CR Healthcare, 100% equity interests in Shenzhen CR Healthcare, 80% equity interests in the JE Subject and the debts owed by the JE Subject to CR Technology all at considerations settled in cash. The aforesaid transactions covered the acquisition of the sponsorship rights of 31 LH Member Institutions and six JE Member Medical Institutions, and the equity transfers of which have been completed by the end of June 2023. Further details of the aforesaid transactions could be found in the announcements of the Company dated February 22, 2023, May 17, 2023 and June 30, 2023 and the circular of the Company dated April 27, 2023. Save as the above transaction, the Group did not have any significant acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

Significant Investments – Investments in Associates – JR Holdings & JR Renkang

The Board considers any single investment with fair value accounting for more than 5% of the total assets of the Group as significant investment. Other than the investments in JR Holdings and JR Renkang as set out below, the Group did not have any single investment accounting for 5% or more of the total assets of the Group as at December 31, 2023.

On June 28, 2020, the Group entered into a restructuring agreement regarding the establishment of two associates with Jing Mei Group, pursuant to which Beijing Jing Run Renkang Holdings Co., Ltd. (“**JR Holdings**”) and Beijing Jing Run Renkang Hospital Management Co., Ltd. (“**JR Renkang**”) were established and held by the Group and the Jing Mei Group as to 49% and 51%, respectively. Please refer to the announcement of the Company dated June 28, 2020 for further details of the aforesaid transaction.

As at December 31, 2023, JR Holdings and JR Renkang were associates of the Group. Pursuant to the relevant arrangements under the abovementioned agreement, JR Holdings has been the sponsor of Jing Mei Hospital Group and JR Renkang has been providing hospital management services to the Jing Mei Hospital Group. The Group’s investment costs in JR Holdings and JR Renkang amounted to RMB874 million and RMB2.45 million, respectively. As at December 31, 2023, the Group holds a 49% equity interest in each of JR Holdings and JR Renkang, with a carrying amount of investment of RMB918 million and RMB59.15 million, respectively, representing approximately 7.2% of the total assets of the Group in total.

During the Reporting Period, JR Holdings and JR Renkang achieved a revenue of RMB223 million in aggregate, resulting in a combined net profit of RMB185 million. The net profit of JR Holdings and JR Renkang attributing to the Group was 90.78 million and the Group has received RMB88.88 million FY2022 dividend in total distributed by JR Holdings and JR Renkang.

During 2023, the Jing Mei Hospital Group was the leading hospitals in Mentougou district and one of the core medical institutions in the western region of Beijing, and its profitability remained stable compared to the previous year, and its operational performance continued to be satisfactory. The Group believes that the investment in JR Holdings and JR Renkang, as well as the cooperation with the Jing Mei Group, fully leverages the respective strengths of the Jing Mei Group and the Group, and the current cooperation model represents a deepened cooperation based on the original cooperation, and it is expected that the relevant investment will be maintained.

Other Investment – Investment in UMP Healthcare Holdings

UMP Healthcare Holdings, listed on the main board of the Stock Exchange (Stock code: 722.HK), is mainly engaged in providing healthcare solutions and service in Hong Kong. Details of investment in UMP Healthcare Holdings have been disclosed in the Company’s annual reports in prior years. Pursuant to the relevant accounting standards, the Company has categorized the investment in UMP Healthcare Holdings as financial assets at fair value through profit or loss. As at December 31, 2023, the fair value of our investment in UMP Healthcare Holdings was approximately RMB49.08 million.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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.

FUTURE OUTLOOK

Against the backdrop of China’s long-term economic upturn and high-quality development, the industry will usher in a broader space for development and greater opportunities as the level of economic and social development and the living standards of the people continue to rise, and the people’s demand for all-round, full-cycle health services grows. Under the guidance of “Plan for Supporting the High-Quality Development of State-owned Enterprises in Operating Medical Institutions” (No. 77 of SASDF Reform [2022]), governments and departments at all levels have introduced and landed complementary policies one after another to further support medical treatment run by state-owned enterprises. As an important part of China’s healthcare service system, the important position and role of state-owned hospitals have been widely recognised and will continue to play an important role in China’s healthcare reform. At the same time, the practice of the medical industry has shown that entrepreneurial mechanism and group development are conducive to activating organisational vitality, bringing into play the scale effect and improving operational efficiency, and we firmly believe that group development is one of the important directions for the future development of the industry.

China Resources Medical will continue to give full play to the advantages of a state-owned medical group, fully release the organisational vitality, continue to improve the core competencies of discipline construction, patient service, operation and management, and build a medical business operation model with the characteristics of China Resources Medical, and strive to achieve further improvement in operational efficiency and core competencies, so as to lay a solid foundation for the realisation of the 14th Five-Year Plan strategic objectives and the development of the 15th Five-Year Plan. Firstly, we will continue to build leading hospitals, accelerate the construction of provincial and municipal key specialties, jointly carry out scientific research projects, and expand the GCP (Good Clinical Practice) programme, so as to promote the overall synergistic development of medical education and research, play a leading role in refined operation and patient services, and continuously expand our competitive advantages in the region. Secondly, we will continue to deepen the regional integrated management and the construction of regional medical consortiums, so as to realise the penetrating management of leading hospitals over medical institutions in the region in terms of human resources, finances, disciplines, operations, patient services, EHSQ, information technology, and so on. Thirdly, we will accelerate the construction of “one hospital, one speciality” for secondary and primary hospitals, and build specialties and special services that are appropriate according to the hospital’s strengths and patients’ needs. Fourthly, we will continue to strengthen the brain speciality, continue to play a leading role in Guangzhou 999 Brain Hospital, promote the construction of brain hospitals in Guangxi regional, and further export the capacity of the discipline in South China.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2023, the Group had a total of 20,172 fulltime employees (December 31, 2022 (restated): 20,622 employees). For FY2023, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB3,406 million (FY2022 (restated): RMB2,635 million).

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

In Hong Kong, the Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government (together with the MPF Scheme, the "**Defined Contribution Schemes**"). These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's employer contributions to the Defined Contribution Schemes vest fully and immediately with the employees when contributed into the schemes. Accordingly, (i) for each of the two years ended December 31, 2023, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at December 31, 2023.

FINAL DIVIDEND

The Board proposes to pay a final dividend of RMB6 cents per Share for FY2023 (“**2023 Final Dividend**”) (FY2022: final dividend equivalent to approximately RMB3.3 cents per Share). The proposed 2023 Final Dividend will be payable to Shareholders whose names appear on the register of members of the Company on Friday, June 14, 2024. Based on the number of Shares in issue of the Company as of December 31, 2023, the total amount of 2023 Final Dividend is approximately RMB77.80 million. Subject to the approval by Shareholders at the annual general meeting to be held on Wednesday, June 5, 2024, it is expected that the 2023 Final Dividend will be distributed on or before Friday, July 19, 2024. The 2023 Final Dividend will be payable in cash to each Shareholder in HK\$ at the average benchmark exchange rate of RMB to HK\$ as published by the People’s Bank of China during the five business days ending on Wednesday, June 5, 2024 (inclusive), being the date of the annual general meeting, unless an election is made to receive the same in RMB. Shareholders will be given the option to elect to receive all (but not part) of the 2023 Final Dividend in RMB. To make such election, Shareholders should complete the Dividend Currency Election Form, which is expected to be despatched to Shareholders in late June 2024 as soon as practicable after the record date of Friday, June 14, 2024 to determine Shareholders’ entitlement to the proposed 2023 Final Dividend, and return it to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, July 10, 2024. Shareholders who are minded to elect to receive all (but not part) of the 2023 Final Dividend in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honoured for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant Shareholders by ordinary post on Friday, July 19, 2024 at the Shareholders’ own risk.

DIVIDEND POLICY

According to the dividend policy of the Group, subject to compliance with applicable rules and regulations (including Cayman Islands laws) and the Articles of Association, the Company will pay dividend to the Shareholders when the Group recorded net profit during the period and payment of dividend would not affect its normal operation. The Company intends to share its profits with Shareholders in the form of annual dividend and the remaining net profits will be used for the Group's development and operations.

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

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

MODEL CODE

The Company has adopted the Model Code as set out in Appendix C3 (the former Appendix 10) to the Listing Rules as rules governing dealings by Directors in the listed securities of the Company.

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code during the year ended December 31, 2023. As senior managers, executives and officers who, because of their offices in the Company, may possess inside information of the Company, they shall comply with the provision of the Model Code. To the best knowledge of the Company, no incident of non-compliance to the Model Code has been committed by such employees during the year ended December 31, 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Wednesday, June 5, 2024, the register of members of the Company will be closed from Friday, May 31, 2024 to Wednesday, June 5, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as members entitled to attend and vote at the annual general meeting, investors should lodge all transfers of shares accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, May 30, 2024.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, June 12, 2024 to Friday, June 14, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, June 11, 2024.

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

During the year ended December 31, 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company confirms that it has complied with all material code provisions of CG Code (i.e. Appendix C1 to the Listing Rules) during the year ended December 31, 2023.

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

AUDIT COMMITTEE

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

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. KWONG Kwok Kong (committee chairman), Mr. FU Tingmei and Mr. ZHOU Peng. The Audit Committee, together with the management of the Company, has reviewed the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning risk management and internal control, auditing and financial reporting matters and reviewed the annual results and the consolidated financial statements of the Group for the year ended December 31, 2023.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income, and the related notes thereto for the year ended December 31, 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

OTHER INFORMATION

Yan Hua IOT Agreement Dispute

In respect of the litigation case between the Company and the Yanhua Parties regarding the performance of the Yan Hua IOT Agreement in 2019, the Beijing Higher People's Court handed down a final judgment (2020 Jing Minzhong No.110) on November 22, 2021, which rejected the appeal filed by the Yanhua Parties in 2020 and upheld the original judgment in 2019 as follows: the major details are as follows: (1) the unilateral termination of Yan Hua IOT Agreement by Yan Hua Phoenix and Yan Hua Hospital is declared to be void and that the parties shall continue to perform its obligations under the Yan Hua IOT Agreement; (2) the amount of RMB14,400,000, being the damages for breach of the Yan Hua IOT Agreement, is to be paid by Yan Hua Phoenix to CR Hospital Management & Consulting; (3) other reliefs sought by CR Hospital Management & Consulting shall be dismissed; and (4) other counterclaims of Yan Hua Phoenix and Yan Hua Hospital shall be dismissed. As the Parties have been negligent in complying with the abovementioned final judgment, the Company then filed an application for enforcement with the Beijing Second Intermediate People's Court in January 2022, and then accordingly received the liquidated damages amounted to RMB14,400,000 and related overdue fine paid by Yanhua Phoenix through the court enforcement procedure in April 2022. However, due to the Yanhua Parties' persistent refusal to perform the Yan Hua IOT Agreement, the Company brought a separate lawsuit against the Yanhua Parties in September 2022 to seek compensation for the losses suffered by the Company as a result of the Yanhua Parties' breach of the Yanhua IOT Agreement (including the management fee and supply chain fee receivable by the Company from 2019 to the filing date). Such lawsuit is currently in the second instance of Beijing High People's Court. The Company will continue use its best endeavours and take all appropriate actions to protect the interests of the Company and the Shareholders. The Company will make further announcement in accordance with the Listing Rules as and when appropriate for the future progress of the Yan Hua IOT Agreement dispute.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crmedical.hk), and the 2023 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

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

DEFINITIONS

“Articles of Association” or “Articles”	the articles of association of our Company adopted on September 30, 2013 and as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“CG Code”	Corporate Governance Code as set out in Appendix C1 (formerly Appendix 14) to the Listing Rules
“Chairman”	the chairman of our Board
“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 “China Resources Medical”	China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability on February 28, 2013

“CR Hospital Investment”	China Resources Hospital Investment (China) Co., Ltd.* (華潤醫院投資(中國)有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“CR Hospital Management & Consulting”	China Resources Hospital Management & Consulting Co. Ltd. (華潤醫院管理諮詢有限公司) (formerly known as Beijing Phoenix United Hospital Management Consulting Co. Ltd. (北京鳳凰聯合醫院管理諮詢有限公司), Beijing Phoenix United Hospital Management Co., Ltd. (北京鳳凰聯合醫院管理有限公司) and Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司)), a limited liability company established under the laws of the PRC on November 6, 2007, and a wholly-owned subsidiary of our Company
“CR Technology”	China Resources Healthcare Technology Development (China) Co., Ltd.* (華潤健康科技產業發展(中國)有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of CR Healthcare
“Director(s)”	the directors of our Company or any of them
“FY2022”	the financial year ended December 31, 2022
“FY2023”	the financial year ended December 31, 2023
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries
“HK\$” or “HKD” and “HK cent(s)” or “cent(s)”	Hong Kong dollar and cent(s) respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Huaiyin Hospital”	Huai’an City Huaiyin Hospital Company Limited* (淮 安市淮陰醫院有限公司), a company established in the PRC with limited liability
“IAS”	International Accounting Standard
“IFRSs”	International Financial Reporting Standards
“IOT”	the “invest-operate-transfer” model
“IOT Hospitals”	third-party hospitals and clinics, which we manage and operate under the IOT model
“JE Member Medical Institution(s)”	medical institution(s) under the JE Subject and their respective subordinate organizations
“JE Subject”	CR Healthcare (Jiangxi) Co., Ltd.* (華潤健康(江西) 有限公司), a company incorporated in the PRC with limited liability
“JE Subject Debts”	debts (including principal balances and interests) owed by the JE Subject to CR Technology which has been acquired by CR Hospital Investment
“JE Subject Equity”	80% equity interests in the JE Subject held by CR Technology
“Jing Mei Group”	Beijing Jing Mei Group Company Limited* (北京京 煤集團有限責任公司), a company established in the PRC with limited liability
“Jing Mei Hospital”	Beijing Jing Mei Group General 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

“LH Member Institution(s)”	institution(s) under Liaoning Health Industry and their respective subordinate organizations
“LH Subject Equity”	76.10% equity interests in Liaoning CR Healthcare and 100% equity interests in Shenzhen CR Healthcare held by LR Management
“LH Subjects”	Liaoning CR Healthcare and Shenzhen CR Healthcare
“Liaoning CR Healthcare”	China Resources Healthcare (Liaoning) Group Co., Ltd.* (華潤健康(遼寧)集團有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LR Management”	LR Management Company Limited, a company established in Hong Kong with limited liability
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 (formerly 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
“Reporting Period”	the period from January 1, 2023 to December 31, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) with par value of HK\$0.00025 each in the capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)

“Share Award Scheme”	the share award scheme of the Company adopted by the Board pursuant to a resolution passed by the Board on July 7, 2014, as amended by the Board on May 25, 2015 and August 31, 2018
“Share Option Scheme”	the share option scheme conditionally adopted by the Company pursuant to a resolution passed by our Shareholders on September 30, 2013
“Shenzhen CR Healthcare”	Shenzhen China Resources Healthcare Industry Investment Co., Ltd.* (深圳華潤健康產業投資有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Hospitals”	the medical institutions of the Group other than the LH Member Institutions and the JE Member Medical Institutions
“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)
“Yan Hua Hospital”	Yan Hua Hospital* (北京燕化醫院)
“Yan Hua Hospital Group”	collectively, Yan Hua Hospital and the community clinics affiliated with Yan Hua Hospital

“Yau Hua IOT Agreement”	the hospital management right and investment framework agreement dated February 1, 2008 and the Yan Hua Hospital Investment Management Agreement dated February 4, 2008, both of which were supplemented in April 2008, December 2010, June 2011, June 2013, July 2013, September 2013 and October 2013, entered into by CR Hospital Management & Consulting with Yan Hua Phoenix and Yan Hua Hospital Group
“Yan Hua Phoenix”	Beijing Yan Hua Phoenix Healthcare Asset Management Co., Ltd.* (北京燕化鳳凰醫療資產管理有限公司), a limited liability company incorporated under the laws of the PRC on July 18, 2005
“Yanhua Parties”	Yan Hua Phoenix and Yan Hua Hospital

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

By order of the Board
China Resources Medical Holdings Company Limited
SONG Qing
Chairman

PRC, March 19, 2024

As at the date of this announcement, the Board comprises Mr. SONG Qing, Mr. YU Hai, Mr. SHAN Baojie and Ms. YANG Min as executive Directors; Ms. GE Lu as non-executive Director; Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Mr. FU Tingmei and Mr. ZHOU Peng as independent non-executive Directors.