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China Resources Medical Holdings Company Limited

華潤醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board of directors (the “**Board**”) of China Resources Medical Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”) as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited

	Notes	For the six months ended 30 June	
		2024 RMB'000	2023 RMB'000
REVENUE	4	4,976,334	5,114,026
Cost of sales		<u>(3,939,986)</u>	<u>(4,024,751)</u>
Gross profit		1,036,348	1,089,275
Other income	5	69,007	92,233
Other gains and losses, net	6	(9,964)	(79,176)
Selling and distribution expenses		(2,438)	(5,278)
Administrative and other operating expenses		(471,578)	(448,025)
Impairment losses on financial assets, net		1,465	(4,282)
Finance costs		(39,841)	(61,150)
Share of profits of associates		<u>44,329</u>	<u>41,529</u>

		For the six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
PROFIT BEFORE TAX	7	627,328	625,126
Income tax	8	<u>(115,673)</u>	<u>(138,258)</u>
PROFIT FOR THE PERIOD		<u>511,655</u>	<u>486,868</u>
Attributable to:			
Owners of the Company		433,949	397,677
Non-controlling interests		<u>77,706</u>	<u>89,191</u>
		<u>511,655</u>	<u>486,868</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>10</i>		
Basic (<i>RMB yuan</i>)		<u>0.34</u>	<u>0.31</u>
Diluted (<i>RMB yuan</i>)		<u>0.34</u>	<u>0.31</u>
PROFIT FOR THE PERIOD		511,655	486,868
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
– Remeasurement losses on defined benefit plans, net of nil tax		<u>–</u>	<u>(8,612)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>511,655</u>	<u>478,256</u>
Attributable to:			
Owners of the Company		433,949	391,122
Non-controlling interests		<u>77,706</u>	<u>87,134</u>
		<u>511,655</u>	<u>478,256</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,818,637	4,863,851
Right-of-use assets		479,217	497,843
Goodwill		3,599,182	3,599,182
Other intangible assets		43,169	45,304
Investments in associates		1,026,679	982,350
Receivables from invest-operate-transfer (“IOT”) hospitals		40,691	37,434
Financial assets at fair value through profit or loss (“FVTPL”)		43,569	49,084
Deferred tax assets		39,845	42,178
Other non-current assets		105,360	107,887
		<hr/>	<hr/>
Total non-current assets		10,196,349	10,225,113
CURRENT ASSETS			
Inventories		274,191	302,076
Trade and bills receivables	<i>11</i>	1,542,631	1,535,652
Contract assets		5,608	8,257
Prepayments, deposits and other receivables		307,160	270,499
Due from related parties		48,527	32,213
Restricted and pledged bank deposits		53,773	44,285
Cash and cash equivalents		1,290,492	1,236,097
		<hr/>	<hr/>
Total current assets		3,522,382	3,429,079
CURRENT LIABILITIES			
Trade and bills payables	<i>12</i>	1,571,108	1,731,495
Other payables and accruals		1,619,122	1,670,544
Due to related parties		418,632	369,181
Interest-bearing bank borrowings		398,887	1,277,874
Lease liabilities		38,058	45,028
Deferred income		21,107	22,809
Tax payable		42,656	90,442
		<hr/>	<hr/>
Total current liabilities		4,109,570	5,207,373

	30 June	31 December
	2024	2023
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT LIABILITIES	<u>(587,188)</u>	<u>(1,778,294)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>9,609,161</u>	<u>8,446,819</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	1,617,239	884,846
Lease liabilities	103,136	103,642
Defined benefit plan obligations	364,241	364,426
Deferred income	21,226	23,060
Deferred tax liabilities	30,665	33,783
Provision	–	1,930
Other liabilities	<u>23,848</u>	<u>22,066</u>
Total non-current liabilities	<u>2,160,355</u>	<u>1,433,753</u>
NET ASSETS	<u><u>7,448,806</u></u>	<u><u>7,013,066</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	267	267
Reserves	<u>6,169,828</u>	<u>5,811,794</u>
	6,170,095	5,812,061
Non-controlling interests	<u>1,278,711</u>	<u>1,201,005</u>
TOTAL EQUITY	<u><u>7,448,806</u></u>	<u><u>7,013,066</u></u>

NOTES

1. CORPORATE INFORMATION

China Resources Medical Holdings Company Limited is a limited liability company incorporated in the Cayman Islands.

During the period, 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

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“**IASB**”).

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 31 December 2023. The auditor of the Company, KPMG, has expressed an unqualified opinion on these financial statements in their report dated 19 March 2024.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for financial assets at FVTPL which have been measured at fair value. The financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand, except when otherwise indicated.

As at 30 June 2024, the Group’s current liabilities exceeded its current assets by RMB0.59 billion. As at 30 June 2024, the Group has unutilised bank facilities of approximately HKD3.40 billion and RMB2.21 billion (equivalent to approximately RMB5.31 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 amended IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new or amended standard that is not yet effective for the current accounting period.

None of these amendments have had a material effect on how the Group's results and financial position for the current period have been prepared or presented.

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 reportable segments of the Group are as follows:

- (a) Hospital business: includes out-patient business, in-patient business corresponding to self-owned hospitals.
- (b) Other business: includes operation management services, supply chain services and other services provided to participating hospitals and IOT/OT hospitals.

Certain 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 losses on financial assets at FVTPL, unallocated income and gains, foreign exchange differences, net, and 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 and operating segments.

Segment revenue and results

	Hospital Business RMB'000	Other Business RMB'000	Total RMB'000
Six months ended 30 June 2024			
Segment revenue	4,600,005	376,329	4,976,334
Inter-segment revenue	—	—	—
Consolidated revenue	<u>4,600,005</u>	<u>376,329</u>	<u>4,976,334</u>
Segment cost	(3,677,361)	(262,625)	(3,939,986)
Other income	55,672	2,388	58,060
Other gains and losses, net	(4,275)	—	(4,275)
Share of profits of associates	—	44,329	44,329
Selling and distribution expenses	(758)	(1,680)	(2,438)
Administrative and other operating expenses	(440,481)	(14,352)	(454,833)
Finance costs	(9,632)	—	(9,632)
Impairment losses on financial and contract assets, net	(2,334)	4,097	1,763
Segment results	<u>520,836</u>	<u>148,486</u>	<u>669,322</u>
Other unallocated income and gains			10,947
Fair value losses on financial assets at FVTPL			(5,515)
Foreign exchange differences, net			(117)
Other unallocated losses and expenses			<u>(47,309)</u>
Profit before tax			<u><u>627,328</u></u>

	Hospital Business RMB'000	Other Business RMB'000	Total RMB'000
Six months ended 30 June 2023			
Segment revenue	4,744,524	370,865	5,115,389
Inter-segment revenue	<u>–</u>	<u>(1,363)</u>	<u>(1,363)</u>
Consolidated revenue	<u>4,744,524</u>	<u>369,502</u>	<u>5,114,026</u>
Segment cost	(3,766,242)	(258,509)	(4,024,751)
Other income	29,751	3,904	33,655
Other gains and losses, net	(7,266)	–	(7,266)
Share of profits of associates	–	41,529	41,529
Selling and distribution expenses	(1,955)	(3,323)	(5,278)
Administrative and other operating expenses	(396,023)	(15,015)	(411,038)
Finance costs	(9,542)	–	(9,542)
Impairment losses on financial and contract assets, net	<u>(4,121)</u>	<u>–</u>	<u>(4,121)</u>
Segment results	<u>589,126</u>	<u>138,088</u>	<u>727,214</u>
Other unallocated income and gains			46,891
Fair value losses on financial assets at FVTPL			(431)
Foreign exchange differences, net			(64,965)
Other unallocated losses and expenses			<u>(83,583)</u>
Profit before tax			<u><u>625,126</u></u>

Segment assets and liabilities

	Hospital Business RMB'000	Other Business RMB'000	Total RMB'000
As at 30 June 2024			
Segment assets	8,385,712	1,444,206	9,829,918
Unallocated assets			7,440,606
Elimination of inter-segment receivables			<u>(3,551,793)</u>
Total assets			<u><u>13,718,731</u></u>
Segment liabilities	4,737,205	19,380	4,756,585
Unallocated liabilities			5,065,133
Elimination of inter-segment payables			<u>(3,551,793)</u>
Total liabilities			<u><u>6,269,925</u></u>
	Hospital Business RMB'000	Other Business RMB'000	Total RMB'000
As at 31 December 2023			
Segment assets	8,365,531	1,431,481	9,797,012
Unallocated assets			7,906,017
Elimination of inter-segment receivables			<u>(4,048,837)</u>
Total assets			<u><u>13,654,192</u></u>
Segment liabilities	5,033,251	12,531	5,045,782
Unallocated liabilities			5,644,181
Elimination of inter-segment payables			<u>(4,048,837)</u>
Total liabilities			<u><u>6,641,126</u></u>

4. REVENUE

Disaggregated revenue information

	30 June 2024 <i>RMB'000</i>	30 June 2023 <i>RMB'000</i>
Types of goods or services		
In-patient	2,704,719	2,880,905
Out-patient	<u>1,895,286</u>	<u>1,863,619</u>
General healthcare services	4,600,005	4,744,524
Other services	<u>376,329</u>	<u>369,502</u>
Total	<u><u>4,976,334</u></u>	<u><u>5,114,026</u></u>
Timing of revenue recognition		
A point in time	2,222,600	2,200,941
Over time	<u>2,753,734</u>	<u>2,913,085</u>
Total	<u><u>4,976,334</u></u>	<u><u>5,114,026</u></u>

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

5. OTHER INCOME

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest and investment income on:		
Financial assets at FVTPL	601	9,891
Other financial assets at amortised cost	–	14,145
Receivables from IOT hospitals	2,376	3,577
Bank deposits	8,223	29,629
Dividend income on a financial asset at FVTPL	3,589	3,871
Government grants	5,816	6,888
Write-off of payables	14,468	558
Others	33,934	23,674
	<u>69,007</u>	<u>92,233</u>

6. OTHER GAINS AND LOSSES, NET

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Change in fair value of financial assets at FVTPL	(5,515)	(431)
Foreign exchange differences, net	(117)	(64,965)
(Loss)/gain on disposal of items of property, plant, equipment and intangible assets	(812)	4
Loss on disposal of subsidiaries	–	(6,373)
Others	(3,520)	(7,411)
	<u>(9,964)</u>	<u>(79,176)</u>

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	2,064,594	2,175,368
Depreciation of property, plant and equipment	274,200	257,257
Depreciation of right-of-use assets	26,387	28,840
Amortisation of intangible assets (included in cost of sales)	2,135	3,347
Total depreciation and amortisation	302,722	289,444
Impairment of trade receivables, net	(344)	4,318

8. INCOME TAX

The PRC enterprise income tax has been provided at the rate of 25% (six months ended 30 June 2023: 25%) on the estimated assessable income arising in the PRC during the period. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2023: Nil).

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current – Chinese mainland	116,458	143,898
Deferred	(785)	(5,640)
Total tax charge for the period	115,673	138,258

9. DIVIDEND

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend recognised as distribution during the period:		
Final 2023 – RMB6.0 cents (2022: HK3.7 cents, equivalent to approximately RMB3.3 cents) per ordinary share	77,860	43,436
Less: Dividend for shares held under the Share Award Scheme	<u>(1,945)</u>	<u>(1,083)</u>
	<u>75,915</u>	<u>42,353</u>

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interim dividend declared after the interim period of RMB5.0 cents per ordinary share (2023: Nil)	<u>64,834</u>	<u>–</u>

The interim dividend has not been recognised as a liability at the end of the reporting period.

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 attributable to ordinary equity holders of the parent of RMB433,949,000 (six months ended 30 June 2023: RMB397,677,000), and the weighted average number of ordinary shares of 1,264,292,000 (six months ended 30 June 2023: 1,264,292,000) in issue during the interim period.

The Group had no potentially dilutive ordinary shares in issue during the interim period.

11. TRADE AND BILLS RECEIVABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Trade receivables		
Public medical insurance program	1,736,180	1,608,931
Other customers	250,521	372,299
Bills receivables	423	132
	1,987,124	1,981,362
Impairment	(444,493)	(445,710)
	<u>1,542,631</u>	<u>1,535,652</u>

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

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 1 year	1,428,182	1,496,569
1 to 2 years	106,370	28,450
Over 2 years	8,079	10,633
	<u>1,542,631</u>	<u>1,535,652</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:

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 60 days	800,562	796,279
61 to 180 days	535,500	594,773
Over 180 days	235,046	340,443
	<u>1,571,108</u>	<u>1,731,495</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group achieved a total revenue of RMB4,976 million (Corresponding Period: RMB5,114 million). The net profit attributable to Shareholders amounted to RMB434 million (Corresponding Period: RMB398 million), and earnings per Share amounted to RMB0.34 (Corresponding Period: RMB0.31). During the Reporting Period, the core business indicators of the self-owned hospitals under the Group have achieved growth, among which the number of out-patient visits and in-patient visits increased by 3.5% and 3.0%, respectively, maintaining a relatively concrete business foundation.

The operational performance of Huaiyin Hospital has deteriorated continuously and Huaiyin Hospital has suffered losses due to historical issues such as the gradual loss of medical staff, as well as changes in external environment including regional medical protection resources and regional competition within the same industry. Despite the Group has actively implemented multiple measures such as talent recruitment, business transformation, organizational restructuring, cost reduction and efficiency improvement, there was no significant turnaround in the operational performance of Huaiyin Hospital. After conducting an in-depth research on the local healthcare market and a further assessment of Huaiyin Hospital's situation, the Company's management considered that Huaiyin Hospital lacked business development opportunities and would continue to operate at a loss for an extended period of time. In comparison with continued operations, the decision to cease the operations of Huaiyin Hospital could minimize the Company's losses and prevent and control project risks to the greatest extent possible. As a result, Huaiyin Hospital ceased operations on May 13, 2024. Considering that Huaiyin Hospital is expected to be unable to cut its losses through operations for an extended period of time, the Company considers that the cessation of Huaiyin Hospital's operations will be beneficial to the future operational performance of the Group in the long term. Furthermore, based on a comprehensive evaluation in terms of Huaiyin Hospital's revenue scale, number of patient visits, expert resources etc., the impact of the cessation of Huaiyin Hospital's operations on the Group's business development is relatively small.

Scale of our operation

As of June 30, 2024, the Group managed and operated a total of 127 medical institutions in 10 provinces and cities in the PRC. During the Reporting Period, the number of out-patient visits and in-patient visits of our self-owned hospitals were approximately 5,050,000 and 280,000, respectively, representing the respective period-over-period increase of 3.5% and 3.0%.

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	3	8	27	41
Liaoning	5	11	9	6	31
Jiangxi	1	3	4	3	11
Shandong	–	1	1	3	5
Shanxi	–	1	–	–	1
Jiangsu	–	1	–	–	1
Anhui	1	1	16	3	21
Hubei	2	–	3	5	10
Guangdong	1	1	–	2	4
Guangxi	–	1	1	–	2
Total	<u>13</u>	<u>23</u>	<u>42</u>	<u>49</u>	<u>127</u>

Operating data for 2024H1

Type	Number of beds in operation	Utilization rate of beds	Number of patients		Revenue from medical business (RMB'000)			Total
			Number of out-patients	Number of in-patients	Revenue from out-patient visits	Revenue from in-patient visits	Revenue from physical examination	
Self-owned Hospitals	<u>18,646</u>	<u>79.93%</u>	<u>5,053,642</u>	<u>282,090</u>	<u>1,810,738</u>	<u>2,704,719</u>	<u>84,548</u>	<u>4,600,005</u>

Operating data for 2023H1

Type	Number of beds in operation	Utilization rate of beds	Number of out-patients	Number of in-patients	Revenue from medical business (RMB'000)			Total
					Revenue from out-patient visits	Revenue from in-patient visits	Revenue from physical examination	
Self-owned Hospitals	<u>18,630</u>	<u>80.60%</u>	<u>4,880,551</u>	<u>273,969</u>	<u>1,785,198</u>	<u>2,880,905</u>	<u>78,421</u>	<u>4,744,524</u>

Note:

- In respect of the operating data statistics, the abovementioned self-owned hospitals refer to all consolidated hospitals.

Financial data

	2024H1 <i>RMB'000</i>	2023H1 <i>RMB'000</i>	Period-over-Period Change	
			<i>RMB'000</i>	<i>Percentage</i>
Hospital Business				
Revenue	4,600,005	4,744,524	-144,519	-3.0%
– Revenue from out-patient visits	1,895,286	1,863,619	31,667	1.7%
– Revenue from in-patient visits	2,704,719	2,880,905	-176,186	-6.1%
Segment gross profit	922,644	978,282	-55,638	-5.7%
Segment results	520,836	589,126	-68,290	-11.6%
Other Business				
Revenue	376,329	369,502	6,827	1.8%
Segment gross profit	113,704	110,993	2,711	2.4%
Segment results	148,486	138,088	10,398	7.5%
Total				
Revenue	4,976,334	5,114,026	-137,692	-2.7%
Segment gross profit	1,036,348	1,089,275	-52,927	-4.9%
Segment results	669,322	727,214	-57,892	-8.0%

Notes:

During the Reporting Period:

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

Hospital Business

During the Reporting Period, the revenue of the hospital business segment was RMB4,600 million, representing a slight period-over-period decrease of 3.0%. Among which the indicators of number of visits both increased, with out-patient visits increased by 3.5% and in-patient visits increased by 3.0%. Affected by the difference of medical insurance settlement, the revenue per out-patient visit and the revenue per in-patient visit decreased by 2.0% and 8.8%, respectively.

During the Reporting Period, we made efforts to reduce the impact of the decline in revenue per visit on the hospital business's profit through improving quality and efficiency. The gross profit of the hospital business segment was RMB923 million, with a gross profit margin of 20.1%; the profit of the hospital business segment recorded RMB521 million, representing a period-over-period decrease of 11.6%.

Other Business

During the Reporting Period, the revenue of other business was RMB376 million, representing a period-over-period increase of 1.8%, and the segment profit of other business was RMB148 million, representing a period-over-period increase of 7.5%.

Administrative and other operating expenses

During the Reporting Period, the Group's administrative and other operating expenses totaled RMB472 million, increased by 5.3% period-over-period, the increase was mainly due to the depreciation and amortization and technical service expenses generated by hardware and software upgrades and renovations to improve the medical services quality and optimize the patient visit environment.

Finance costs

During the Reporting Period, the finance cost of the Group amounted to approximately RMB39.84 million (Corresponding Period: approximately RMB61.15 million). The decrease in the finance costs was in line with replacement of foreign currency bank borrowings with RMB bank borrowings, with reduced bank borrowings interest rates.

Income tax

During the Reporting Period, the Group's income tax amounted to approximately RMB116 million (Corresponding Period: approximately RMB138 million), decreased by 16.3% period-over-period. The effective income tax rate of the Group's recurring business was 18.4% (Corresponding Period: 22.1%). The significant decrease in income tax and effective income tax rates is mainly due to decrease in domestic taxable income.

Net profit

The Group recorded a net profit of RMB512 million, representing a period-over-period increase of 5.1%.

Liquidity and Financing

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

As at June 30, 2024, the Group's consolidated bank balances and cash, time deposits and bank financial products amounted to approximately RMB1.34 billion in total (December 31, 2023: approximately RMB1.28 billion) which were primarily denominated in RMB.

As at June 30, 2024, the Group had obtained offshore revolving term loan facility of HK\$3.40 billion (or its equivalent in U.S. dollar or RMB), for a term of one year which shall be automatically renewed if the relevant bank does not notify otherwise. In addition, the Group had also obtained domestic bank facilities of RMB4.23 billion. As at June 30, 2024, the Group had bank borrowings of RMB2.02 billion, among them, RMB1.99 billion was interest-bearing bank loans and RMB30 million was financially discounted bank loans (as at December 31, 2023, the Group had bank borrowings of RMB2.16 billion, among them, RMB2.12 billion was interest-bearing bank loans and RMB40 million was financially discounted bank loans), and unutilized bank facilities of approximately HK\$3.40 billion and RMB2.21 billion (equivalent to approximately RMB5.31 billion in total).

As at June 30, 2024, on the basis of interest-bearing liabilities divided by total assets, the Group's gearing ratio was 14.7% (December 31, 2023: 15.8%). In addition, the carrying value of each of our wealth management products as at June 30, 2024 did not exceed 5% of the Group's total asset value.

Exposure to Fluctuation in Exchange Rates, the Interest Rate Risk and Other Risks

The Group does not undertake operating transactions in foreign currencies. As of June 30, 2024, the Group had no foreign currency bank borrowings.

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 risk exposure should such need arise.

We are also exposed to risk of talent shortage, and therefore we have been taking an active approach to attract, train and retain sufficient qualified doctors, management personnel and other medical staff members, in the absence of which the business of hospitals affiliated to the Group would be affected to a certain extent. Please refer to the paragraph headed “Management Discussion and Analysis – Employees and Remuneration Policy” for the relevant measures undertaken.

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 staffs with extensive experiences to our patients. By leveraging on sophisticated medical skills and equipment, we try our best to cater to our patients’ needs for medical treatments. We also cooperate with our partners to achieve the sustainable development of our business.

Contingent Liabilities

As at June 30, 2024, the Group did not have any contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Group.

Pledge of Assets

As of June 30, 2024, the Group did not have any material pledge of assets.

Employees and Remuneration Policy

As of June 30, 2024, the Group had a total of 19,640 full-time employees (December 31, 2023: 20,172 employees). For the Reporting Period, the staff costs (including Directors’ remuneration in the form of salaries and other benefits) was approximately RMB1,704 million (Corresponding Period: RMB1,667 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 Award Scheme so as to provide incentives or rewards to Eligible Persons for their contribution or potential contribution to the Company and/or any of its subsidiaries. The Share Award Scheme expired on July 6, 2024.

Contractual Obligations

As at June 30, 2024, the Group did not have any significant contractual obligations arisen outside of the ordinary and usual course of business of the Group and of a capital nature 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 and bills receivables, amounts due from related parties, receivables from IOT Hospitals, other receivables, financial assets at fair value through profit or loss, other financial assets at amortised cost (all of them are fixed deposits in nature, and certain of their deposit periods are longer than one year), cash and cash equivalents, restricted and pledged bank deposits, trade and bills payables, amount due to related parties, payables to the Sponsored Hospitals, other payables and interest bearing bank and other borrowings. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The management manages and monitors the exposures to such risks to ensure appropriate measures are implemented on a timely and effective manner.

Interim Dividend

The Board has resolved to declare an interim dividend of RMB5 cents per Share (equivalent to HK5.47 cents per Share at the exchange rate of RMB1:HK\$1.09324, being 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 Monday, August 26, 2024 (inclusive)) for the six months ended June 30, 2024 (the "**2024 Interim Dividend**") (Corresponding Period: Nil). The 2024 Interim Dividend will be distributed on Friday, October 25, 2024 to Shareholders whose names appear on the register of members of the Company on Thursday, September 12, 2024.

The 2024 Interim Dividend will be payable in cash to each Shareholder in HK\$, 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, save in the case of HKSCC Nominees Limited, which may elect to receive part of its entitlement in RMB) of the 2024 Interim Dividend in RMB. To make such election, Shareholders should complete the dividend currency election form, which is expected to be despatched to Shareholders on or around Friday, September 20, 2024, 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 Tuesday, October 8, 2024. Shareholders who are minded to elect to receive all (but not part, save in the case of HKSCC Nominees Limited, which may elect to receive part of its entitlement in RMB) of the 2024 Interim 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, October 25, 2024 at the Shareholders' own risk.

For the avoidance of doubt, if no election is made by a Shareholder or no duly completed dividend currency election form in respect of that Shareholder is received by the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. on Tuesday, October 8, 2024, such Shareholder will automatically receive the 2024 Interim Dividend in HK\$.

All payments of the 2024 Interim Dividend in HK\$ will be made in the usual way on Friday, October 25, 2024. If Shareholders wish to receive the 2024 Interim Dividend in HK\$ in the usual way, no additional action is required. Shareholders should seek professional advice from their own tax advisors regarding the possible tax implications of such dividend payment.

Closure of Register of Members

For determining the entitlement to the 2024 Interim Dividend, the register of members of the Company will be closed from Wednesday, September 11, 2024 to Thursday, September 12, 2024, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the 2024 Interim 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, September 10, 2024.

Events After the Reporting Period

The Group had no significant subsequent events since the end of the Reporting Period and up to the date of this announcement.

Significant Investments, Acquisitions and Disposals, and Investments in Joint Venture(s) and Associate(s)

As at June 30, 2024, the Group did not have any significant investments. Save as disclosed in this announcement, the Group did not have any significant acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

Investment in UMP Healthcare Holdings

UMP Healthcare Holdings, listed on the main board of the Stock Exchange (stock code: 722.HK), is mainly engaged in providing healthcare solutions and service in Hong Kong. Details of investment in UMP Healthcare Holdings have been disclosed in the Company's annual reports in prior years. Pursuant to the relevant accounting standards, the Company has categorised the investment in UMP Healthcare Holdings as financial assets at fair value through profit or loss. As at June 30, 2024, the fair value of the investment in UMP Healthcare Holdings was approximately RMB43.57 million.

Investments in Associates – JR Renkang & JR Holdings

On June 28, 2020, the Group entered into a restructuring agreement on the establishment of two associates with Jing Mei Group, pursuant to which Beijing Jing Run Renkang Hospital Management Co., Ltd. (“**JR Renkang**”) and Beijing Jing Run Renkang Holdings Co., Ltd. (“**JR Holdings**”) were established and held by the Group and Jing Mei Group as to 49% and 51%, respectively. Upon establishment, JR Renkang and JR Holdings became associates of the Group. Pursuant to the abovementioned agreement, JR Holdings has become the sponsor of the Jing Mei Hospital Group and JR Renkang has been providing hospital management services to the Jing Mei Hospital Group. Please refer to the announcement of the Company dated June 28, 2020 for further details.

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

The Group will continue to enhance our core competencies including discipline construction, patient services, operation and management of medical institutions, tailor our approach based on local conditions, anchor our business foundation, refine our regional development strategies, optimize our operational management system, and increase our brand influence. We will also continue to leverage our advantages as a state-owned medical group, fully unleash organizational vitality, and build a medical business operation model with the characteristics of China Resources.

COMPLIANCE WITH THE CG CODE

The Company recognises the importance of incorporating elements of good corporate governance into the management structures and internal control procedures of the Group so as to achieve effective accountability and safeguard the interests of the Shareholders.

The Company confirms that it has complied with all applicable code provisions of the CG Code contained in Appendix C1 to the Listing Rules during the Reporting Period.

The Board will review its 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 dealings 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 Reporting Period. Senior management, executives and staff who, because of their offices in the Company, are likely to possess inside information of the Company have also been requested to comply with the provisions of the Model Code and the Company confirmed that there was no incident of non-compliance of the Model Code by such employees throughout the Reporting Period.

OTHER INFORMATION

Yan Hua IOT Agreement Dispute

In respect of the litigation case between the Company and the Yanhua Parties (i.e. the Yan Hua Phoenix and Yan Hua Hospital) regarding the performance of the Yanhua 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 Yanhua 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 Yanhua 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 Yanhua 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.

Please refer to the announcements published by the Company on January 15, 2019, January 21, 2019, April 17, 2019 and November 23, 2021 for more details.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the Reporting Period 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.

The interim financial report for the six months ended June 30, 2024 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be published.

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

For the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities. The Company did not have any treasury shares (as defined under the Listing Rules) as at June 30, 2024.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.crmedical.hk, respectively. The interim report of the Company for the Reporting Period will be published on the Stock Exchange’s and the Company’s websites, respectively, in due course.

DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“CG Code”	Corporate Governance Code as set out in Appendix C1 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
“Corresponding Period” or “2023 H1”	the period from January 1, 2023 to June 30, 2023
“CR Hospital Management & Consulting”	China Resources Hospital Management & Consulting Co. Ltd. (華潤醫院管理諮詢有限公司) (formerly known as Beijing Phoenix United Hospital Management Consulting Co. Ltd. (北京鳳凰聯合醫院管理諮詢有限公司), Beijing Phoenix United Hospital Management Co., Ltd. (北京鳳凰聯合醫院管理有限公司) and Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司)), a limited liability company established under the laws of the PRC on November 6, 2007, and a wholly-owned subsidiary of our Company
“Director(s)”	the director(s) of the Company
“Eligible Persons”	any of the (i) key management personnel including the Directors and senior management of the Group; (ii) employed experts as nominated by the Board; and (iii) core employees of the Group
“Group”, “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 and a subsidiary of the Company
“IOT”	the “invest-operate-transfer” model
“IOT Hospitals”	third-party hospitals and clinics, which we manage and operate under the IOT model
“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 Group is a wholly-owned subsidiary of Beijing Energy Holding Company Limited* (北京能源集團有限責任公司), which currently holds the entire interest in and the sponsorship of Jing Mei Hospital and its affiliated medical institutes
“Jing Mei Hospital”	Jing Mei Hospital* (北京京煤集團總醫院)
“Jing Mei Hospital Group”	collectively, Jing Mei Hospital and its affiliated grade I hospitals and community clinics
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“OT”	the “operate-transfer” model
“OT Hospital(s)”	third-party hospital(s) which the Group manages and operates under the OT model
“Reporting Period” or “2024H1”	the period from January 1, 2024 to June 30, 2024

“RMB”	Renminbi, the lawful currency of the PRC
“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
“Sponsored Hospital(s)”	the hospital(s) in the PRC whose sponsor is the Company or its subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UMP Healthcare Holdings”	UMP Healthcare Holdings Limited (聯合醫務集團有限公司), a limited liability company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange (stock code: 722.HK)
“U.S. dollar” or “US\$”	United States dollar, the lawful currency of the United States of America
“Yan Hua Hospital”	Yan Hua Hospital* (北京燕化醫院)
“Yan Hua Hospital Group”	collectively, Yan Hua Hospital and the community clinics affiliated with Yan Hua Hospital

“Yan Hua Hospital Investment Management Agreement”	the hospital investment management agreement dated February 4, 2008, which was supplemented in April 2008, December 2010, June 2011, July 2013, September 2013 and October 2013, and were entered into between CR Hospital Management & Consulting, Yan Hua Hospital and Yan Hua Phoenix
“Yan Hua IOT Agreement”	the hospital management right and investment framework agreement dated February 1, 2008 and the 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 Parties”	Yan Hua Phoenix and Yan Hua Hospital
“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 and 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
SONG Qing
Chairman

Hong Kong, August 26, 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.