THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

華潤醫療
CR MEDICAL

China Resources Medical Holdings Company Limited
華潤醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITIONS OF LH SUBJECT EQUITY, JE SUBJECT EQUITY AND JE SUBJECT DEBTS; AND (2) NOTICE OF THE EGM

Financial Adviser of the Company

CICC
中金公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

邁時資本
MAXA CAPITAL

A letter from the Board is set out on pages 8 to 38 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 39 to 40 of this circular. A letter from Maxa Capital Limited, the independent financial adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 67 of this circular.

A notice convening the EGM of China Resources Medical Holdings Company Limited to be held at 14/F, Kunlun Center Office Building, No.9 Fuyi Street, Fengtai District, Beijing, the People's Republic of China on Wednesday, May 17, 2023 at 9:30 a.m. is set out on pages 329 to 331 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM or any adjournment thereof (as the case may be) and voting in person if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

April 27, 2023

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisitions"	the LH Equity Acquisition and the JE Equity and Debt Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Basis Date"	December 31, 2022
"Board"	the board of Directors
"Company"	China Resources Medical Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 1515)
"company registration authority(ies)"	(whichever is applicable) the Administration for Market Regulation of the place of registration of the LH Subjects or the JE Subject or its designated organization responsible for the registration matters of the LH Subjects or the JE Subject
"Completion"	(whichever is applicable) the transfer of the LH Subject Equity held by LR Management to CR Hospital Investment under the terms of the Equity Transfer Agreement I and the settlement of the LH Equity Transfer Consideration by CR Hospital Investment in RMB in cash, or the transfer of the JE Subject Equity and JE Subject Debts held by CR Technology to CR Hospital Investment under the terms of the Equity and Debt Transfer Agreement II and the settlement of the JE Equity Transfer Consideration and JE Debt Transfer Consideration by CR Hospital Investment in RMB in cash
"Completion Date"	(whichever is applicable) the date when the company registration authority has completed the change in registration for the transfer of the LH Subject Equity under the Equity Transfer Agreement I, or the date when the company registration authority has completed the change in registration for the transfer of the JE Subject Equity under the Equity and Debt Transfer Agreement II
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules

"CR Healthcare"	China Resources Healthcare Group Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of CRH
"CR Healthcare Group"	CR Healthcare and its subsidiaries
"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 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
"CRC"	China Resources Company Limited, a company established in the PRC with limited liability and a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration of the State Council in the PRC, is the ultimate holding company of the Company
"CRH"	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of CRC and indirectly owns approximately 36.58% of the issued shares of the Company as at the Latest Practicable Date
"CRI"	China Resources Inc., a joint stock limited liability company established in the PRC, which is an intermediate holding company of CRH
"Directors(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held at 14/F, Kunlun Center Office Building, No.9 Fuyi Street, Fengtai District, Beijing, the People's Republic of China on Wednesday, May 17, 2023 at 9:30 a.m. for the Independent Shareholders to consider and, if thought fit, among others, approve the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions
"Enlarged Group"	the Group as enlarged by the acquisition of the LH Subject Equity and the JE Subject Equity

"Entrusted Loan Agreements"	the Corporate Entrusted Loan and Borrowing Contract (2021) entered into among a related company of CR Technology, Jiangxi Runrui Health Industry Co., Ltd.* (江西潤瑞健康產業有限公司) (client), Industrial and Commercial Bank of China Limited, Gaoan Sub-branch (fiduciary) and Ruizhou Hospital (borrower) on April 19, 2022 for a loan amount of RMB80,000,000; and the Corporate Entrusted Loan and Borrowing Contract (2022) entered into among a related company of CR Technology, Jiangxi Runrui Health Industry Co., Ltd. (client), Industrial and Commercial Bank of China Limited, Gaoan Sub-branch (fiduciary) and Ruizhou Hospital (borrower) on November 28, 2022 for a loan amount of RMB40,000,000
"Equity Transfer Agreement I"	the equity transfer agreement entered into between CR Hospital Investment and LR Management regarding the LH Equity Acquisition on February 22, 2023
"Equity and Debt Transfer Agreement II"	the equity and debt transfer agreement entered into between CR Hospital Investment and CR Technology regarding the JE Equity and Debt Acquisition on February 22, 2023
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Business Day(s)"	any day on which commercial banks are open for business in Hong Kong (other than Saturday or Sunday)
"Independent Board Committee"	the independent board committee of the Company comprising Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong and Mr. LEE Kar Chung Felix and Mr. FU Tingmei, all being independent non-executive Directors, to consider the terms of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions, and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions

"Independent Financial Adviser" or "Maxa Capital"	Maxa Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions
"Independent Shareholders"	Shareholders other than CRH and its associates, persons who are materially interested, interested or participate in the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions, and any of their respective associates
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a qualified independent valuer in Hong Kong
"JE Debt Acquisition"	the transaction in which CR Technology shall transfer the JE Subject Debts it held to CR Hospital Investment subject to the terms and conditions of the Equity and Debt Transfer Agreement II, and CR Hospital Investment shall acquire the JE Subject Debts to be transferred by CR Technology subject to the terms and conditions of the Equity and Debt Transfer Agreement II
"JE Debt Transfer Consideration"	the consideration for transferring the JE Subject Debts under the Equity and Debt Transfer Agreement II
"JE Equity Acquisition"	the transaction in which CR Technology shall transfer the JE Subject Equity it held to CR Hospital Investment subject to the terms and conditions of the Equity and Debt Transfer Agreement II, and CR Hospital Investment shall acquire the JE Subject Equity to be transferred by CR Technology subject to the terms and conditions of the Equity and Debt Transfer Agreement II
"JE Equity and Debt Acquisition"	JE Equity Acquisition and JE Debt Acquisition
"JE Equity Transfer Consideration"	the consideration for transferring the JE Subject Equity under the Equity and Debt Transfer Agreement II
"JE Group Company"	Jiangxi Energy Group Co., Ltd.* (江西省能源集團有限公司), a company established in the PRC with limited liability, holds 20% equity interests in the JE Subject as at the Latest Practicable Date
"JE Member Medical Institution(s)"	medical institution(s) under the JE Subject and their respective subordinate organizations

"JE Special Audit for the Transitional Period"	the special audit to be performed on the profits and losses of the JE Subject for the Transitional Period by a qualified accounting firm engaged by the JE Subject
"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 to be acquired by CR Hospital Investment pursuant to the Equity and Debt Transfer Agreement II
"JE Subject Equity"	80% equity interests in the JE Subject held by CR Technology
"JE Subject Group"	JE Subject, its subsidiaries from time to time and JE Member Medical Institutions
"Latest Practicable Date"	April 20, 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained therein
"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
"Liaoning CR Healthcare Group"	Liaoning CR Healthcare, its subsidiaries from time to time and LH Member Institutions
"Liaoning Health Industry"	Liaoning Health Industry Group Co., Ltd.* (遼寧省健康產業集團有限公司), a company established in the PRC with limited liability
"Liaoning Port Company"	Liaoning Port Medical Management (Liaoning) Co., Ltd.* (遼港醫療管理(遼寧)有限責任公司), a company established in the PRC with limited liability
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"LH Equity Acquisition"	the transaction in which LR Management shall transfer the LH Subject Equity it held to CR Hospital Investment subject to the terms and conditions of the Equity Transfer Agreement I, and CR Hospital Investment shall acquire the LH Subject Equity to be transferred by LR Management subject to the terms and conditions of the Equity Transfer Agreement I
"LH Equity Transfer Consideration"	the consideration for transferring the LH Subject Equity under the Equity Transfer Agreement I

"LH Member Institution(s)"	institution(s) under Liaoning Health Industry and their respective subordinate organizations
"LH Special Audit for the Transitional Period"	the special audit to be performed on the profits and losses of the LH Subjects for the Transitional Period by a qualified accounting firm engaged by Liaoning CR Healthcare
"LH Subjects"	Liaoning CR Healthcare and Shenzhen CR Healthcare
"LH Subject Equity"	76.10% equity interests in Liaoning CR Healthcare and 100% equity interests in Shenzhen CR Healthcare held by LR Management
"Loan Agreements"	the Loan Agreements I and the Loan Agreement II
"Loan Agreements I"	the loan agreement entered into between CR Technology and the JE Subject on December 12, 2019, with a loan amount of RMB530,540,300; its supplemental agreement signed on June 3, 2020; its supplemental agreement II signed on May 14, 2021
"Loan Agreement II"	the shareholder loan agreement entered into between CR Technology and the JE Subject in May 2021, with a loan amount of RMB50,000,000
"LR Management"	LR Management Company Limited, a company established in Hong Kong with limited liability
"Mainland Business Day(s)"	any day other than Saturday, Sunday and national statutory holidays or other dates on which commercial banks are close for business in the PRC

"material adverse impact" or "material adverse change"	happening or non-happening of any matters, circumstances or events, whether by itself or together with the happening or non-happening of other matters, circumstances or events, which (i) has or is reasonably expected to have a substantial adverse impact on the businesses, operations, development, assets, properties, qualifications, prospects, financial conditions or operational results of Shenzhen CR Healthcare and Liaoning CR Healthcare Group (or the JE Subject and the JE Member Medical Institutions, as applicable) as a whole, and such substantial adverse impact will make the net assets of LH Subjects (or the JE Subject, as applicable) decrease by 5% or more than those set out in the audit report issued by Ernst & Young. for the prior year; or (ii) has or is reasonably expected to have a substantial adverse impact on the ability of LR Management to perform its obligations under the Equity Transfer Agreement I (or of CR Technology to perform its obligations under the Equity and Debt Transfer Agreement II, as applicable)
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	share(s) with a par value of HK$0.00025 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"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
"subsidiary"	has the meaning ascribed to it under the Listing Rules
"Transitional Period"	the period from June 30, 2022 (day exclusive) up to and including the Completion Date
"%"	percent

CR MEDICAL

China Resources Medical Holdings Company Limited
華潤醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

Executive Directors:
Mr. SONG Qing *(Chairman of the Board)*
Mr. YU Hai *(Chief Executive Officer)*
Ms. REN Yuan *(Chief Financial Officer)*
Mr. SHAN Baojie *(Vice President)*

Non-executive Director:
Mr. HU Hui

Independent non-executive Directors:
Mr. WU Ting Yuk, Anthony
Mr. KWONG Kwok Kong
Mr. LEE Kar Chung Felix
Mr. FU Tingmei

Registered Office:
Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street, George Town
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

Headquarters and Principal Place of Business in the PRC:
14/F, Kunlun Center Office Building
No. 9, Fuyi Street,
Fengtai District, Beijing
the People's Republic of China

Principal Place of Business in Hong Kong
Room 2603, 26/F
China Resources Building
26 Harbour Road Wanchai,
Hong Kong

April 27, 2023

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITIONS OF LH SUBJECT EQUITY, JE SUBJECT EQUITY AND JE SUBJECT DEBTS; AND (2) NOTICE OF THE EGM

A. INTRODUCTION

Reference is made to the announcement of the Company dated February 22, 2023 in relation to the entering into of (1) the Equity Transfer Agreement I; and (2) the Equity and Debt Transfer Agreement II.

In light of the benefits of entering into the Equity Transfer Agreement I and the Equity and Debt Transfer Agreement II, the Board proposes to seek the approval of the Independent Shareholders for entering into the Equity Transfer Agreement I and the Equity and Debt Transfer Agreement II and the Acquisitions.

The purpose of this circular is to provide you with, among other things, (i) details of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions; (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions and its voting recommendations; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders regarding the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions and its voting recommendations; (iv) financial information of the Group, Liaoning CR Healthcare Group, Shenzhen CR Healthcare and JE Subject Group; (v) a notice of the EGM; and (v) other information required under the Listing Rules.

B. THE EQUITY TRANSFER AGREEMENT I

The details of the Equity Transfer Agreement I are set out below.

Date: February 22, 2023

Parties: (i) CR Hospital Investment (as transferee); and

(ii) LR Management (as transferor).

Assets to be Acquired

CR Hospital Investment has conditionally agreed to purchase and LR Management has conditionally agreed to sell 76.10% equity interests in Liaoning CR Healthcare and 100% equity interests in Shenzhen CR Healthcare on and subject to the terms and conditions of the Equity Transfer Agreement I. Based on the information provided by LR Management, the original acquisition cost of 76.10% equity interests in Liaoning CR Healthcare paid by LR Management was RMB2,352,302,600. Shenzhen CR Healthcare was established by China Resources Medical Company Limited, a wholly owned subsidiary of CR Healthcare, on August 3, 2018. On June 30, 2022, China Resources Medical Company Limited transferred 100% equity interests in Shenzhen CR Healthcare to LR Management at RMB1 (determined on the basis that it is an internal transfer within CR Healthcare Group).

LH Equity Transfer Consideration and Payment

The total consideration for the LH Equity Acquisition contemplated under the Equity Transfer Agreement I amounts to RMB3,394,607,000. CR Hospital Investment shall pay the LH Equity Transfer Consideration after deducting the taxes filed and paid by CR Hospital Investment on behalf of LR Management in accordance with the Equity Transfer Agreement I (the "**LH Equity Transfer Consideration Amount Payable**") to LR Management in a lump sum within 75 days from the Completion Date. The payment of the LH Equity Transfer Consideration Amount Payable is subject to the completion of the filing for payment of taxes by CR Hospital Investment on behalf of LR Management in accordance with the Equity Transfer Agreement I and the completion of foreign exchange administration registration by LH Subjects. If CR Hospital Investment fails to pay the LH Equity Transfer Consideration Amount Payable within 75 days from the Completion Date, LR Management is entitled to claim the compensation for delayed payment of the LH Equity Transfer Consideration Amount Payable from CR Hospital Investment. Such compensation shall be an additional payment/extra fee to the LH Equity Transfer Consideration and shall be calculated as: the LH Equity Transfer Consideration Amount Payable* the number of days from the 76th day after the Completion Date to the date of actual payment/365 days* the applicable one-year loan prime rate announced by the People's Bank of China on the 75th day after the Completion Date.

The LH Equity Transfer Consideration will be funded by the internal resources and bank loans (including a short-term interest-bearing bank borrowing of RMB750,000,000) of the Group.

Basis of Determination of the Consideration

The LH Equity Transfer Consideration was determined by CR Hospital Investment and LR Management after arm's length negotiations with reference to, among other things: (i) the market value of the entire shareholders' equity in each of Liaoning CR Healthcare and Shenzhen CR Healthcare of approximately RMB4,453,074,000 and RMB136,958,000, respectively, as at December 31, 2022 according to the preliminary valuation prepared by the Independent Valuer based on the market approach (such preliminary valuation is consistent with the results as set out in the valuation reports issued by the Independent Valuer in Appendix VII and Appendix VIII (the "**LH Valuation Reports**"), respectively); and (ii) the reasons for and benefits of the LH Equity Acquisition as stated in the section headed "Reasons for and Benefits of the Acquisitions" below.

The Company has reviewed the contents of the LH Valuation Reports and considered the valuation methodology, basis for the selection of the comparable companies and valuation multiples therein as follows:

1. Valuation methodology

As stated in the LH Valuation Reports, among the three commonly used valuation approaches, the cost approach does not directly reflect the benefits and synergies brought about by the LH Subjects after the LH Equity Acquisition, and the income approach relies on long-term financial forecasts and numerous assumptions and parameters that are difficult to quantify directly which render it not the best approach. Therefore, the Independent Valuer used the market approach for the valuation. The Board considers that the adoption of the market approach is consistent with the market practice and is reasonable and appropriate.

2. Basis for the selection of the comparable companies

As stated in the LH Valuation Reports, the Independent Valuer selected the comparable companies primarily based on criteria such as the composition of operating revenue from principal business activities, the proportion of revenue in each geographical location, the net profit, the location and timing of listing, the availability of relevant financial data, etc., and carried out quantitative comparison between the LH Subjects and each of the comparable companies on the aforesaid selection criteria. Such criteria are consistent with the business nature and characteristics of the LH Subjects, and the composition of operating revenue from principal business activities, the proportion of revenue in each geographical location etc. of the comparable companies are similar to those of the LH Subjects. Therefore, the Board considers that the selection criteria are complete, reasonable and appropriate.

3. Valuation multiples

As stated in the LH Valuation Reports, the Independent Valuer used the EV/EBITDA Ratio (as defined therein) as it is a capital structure neutral ratio that allows the comparison between companies with different gearing positions. In addition, the Independent Valuer adjusted the EV/EBITDA Ratio by taking into account factors such as the difference in size and scale of different comparable companies, and by applying DLOM and DLOC (as defined in the LH Valuation Reports) after considering factors including the fact that the LH Subjects are not listed and that the LH Equity Acquisition was for the acquisition of control. The Board considers that such valuation multiples and adjustments are in line with the conditions of the LH Subjects and the relevant comparable companies, and are reasonable and appropriate considering the characteristics of the LH Equity Acquisition.

As such, the Board is of the view that the methodology, the selection criteria of the comparable companies, the parameters and assumptions adopted in the LH Valuation Reports are appropriate.

In view of the above, and that the LH Equity Transfer Consideration is lower than the aggregate appraised market value of 76.10% shareholders' equity in Liaoning CR Healthcare and the entire shareholders' equity in Shenzhen CR Healthcare as set out in the LH Valuation Reports, representing a discount of approximately 3.7%, the Board is of the view that the LH Equity Transfer Consideration is fair and reasonable.

Time of Taking Effect

The Equity Transfer Agreement I shall take effect on the date when the legal representatives or authorised representatives of the parties thereto sign and affix their respective company chops.

Conditions Precedent to Completion

The obligation of CR Hospital Investment to acquire the LH Subject Equity under the Equity Transfer Agreement I shall be conditional upon and subject to the following conditions to Completion being fulfilled or waived by the written consent of CR Hospital Investment (if applicable):

(i) the representations, warranties and/or undertakings made by LR Management under the Equity Transfer Agreement I remaining to be true, complete, accurate and not misleading in material aspects from the signing date of the Equity Transfer Agreement I to the Completion Date, and there being no material breach by any party under the Equity Transfer Agreement I;

(ii) LR Management having completed the approval procedures for state-owned assets in relation to the LH Equity Acquisition and obtained the approval;

(iii) the LH Equity Acquisition and the JE Equity and Debt Acquisition having been approved by the Anti-monopoly Bureau of the PRC or its authorised authorities, and such approval not being revoked or withdrawn;

(iv) the Equity and Debt Transfer Agreement II having been validly signed and become effective, and the conditions to Completion in the Equity and Debt Transfer Agreement II having been satisfied or waived in writing (where applicable) (save and except for the condition to Completion of Equity Transfer Agreement I having been validly signed and become effective, and the conditions to Completion thereunder having been satisfied or waived in writing (where applicable));

(v) the LH Equity Acquisition and the JE Equity and Debt Acquisition having been approved at the general meeting of the Company in accordance with the Listing Rules, the articles of association of the Company and the relevant applicable laws;

(vi) CR Healthcare having completed the approval procedures for state-owned assets in relation to the JE Equity and Debt Acquisition and obtained the approval;

(vii) a resolution having been passed at the shareholders' meeting of Liaoning CR Healthcare regarding the transaction, and Liaoning Holdings Corporation Ltd.* (遼寧控股(集團)有限責任公司), Liaoning Water Resource Management Group Co., Ltd.* (遼寧省水資源管理集團有限責任公司) and Liaoning Provincial Transportation Investment Group Co., Ltd.* (遼寧省交通建設投資集團有限責任公司) having issued a written consent to waive their pre-emptive rights to 76.10% equity interests in Liaoning CR Healthcare or Liaoning CR Healthcare having passed a shareholders' resolution containing the aforesaid waiver of pre-emptive rights;

(viii) due to the funds management arrangement of CR Healthcare, there are debts (excluding operating contract liabilities) between LR Management or its related companies (as debtor) and Liaoning CR Healthcare Group (as creditor) (the "**LR Management's Existing Debts**"). LR Management or its related companies having entered into borrowing agreements in relation to such debts as set out in the Equity Transfer Agreement I with Liaoning CR Healthcare Group ("**LH Borrowing Agreements**"), and the total principal amounts of borrowings and the corresponding interest rates repayable by LR Management or its related companies having been explicitly stated, and the term of repayment having been agreed upon, in the LH Borrowing Agreements;

(ix) Liaoning CR Healthcare having divested its 70% equity interests in Liaogang Medical Management (Liaoning) Co., Ltd.* (遼港醫療管理(遼寧)有限責任公司) from it;

(x) any other conditions required by the Stock Exchange and SFC (if any); and

(xi) subsequent to the Basis Date and up to the Completion Date, there being no and expected to be no material adverse change in the businesses, operations, assets and liabilities of Shenzhen CR Healthcare and Liaoning CR Healthcare Group.

Both parties have undertaken to use their best endeavours to satisfy all the above conditions to Completion within 180 days from the signing date of the Equity Transfer Agreement I. If the conditions to Completion are not fully satisfied and waived by CR Hospital Investment in writing (if applicable) by then, CR Hospital Investment has the right to dismiss the Equity Transfer Agreement I by serving a unilateral notice to LR Management.

Except for conditions (ii) to (vii), (ix) and (x), all the above conditions can be waived in full or in part by CR Hospital Investment in writing. The conditions to Completion waived by CR Hospital Investment shall automatically become the post-Completion obligations of LR Management, and shall be fulfilled within a period otherwise specified by CR Hospital Investment.

Condition (viii) above aims to reduce the agreements in relation to the LR Management's Existing Debts into writing unambiguously in order to better govern the rights and obligations of the creditor and the debtor thereof, in particular, the repayment of such debts by the debtor. The LR Management's Existing Debts are not intended to subsist in the long run. Pursuant to the Equity Transfer Agreement I, the LR Management's Existing Debts shall be repaid within 10 Mainland Business Days from the Completion Date and therefore are not expected to have any impact on the Company. As at December 31, 2022, the principal amount and interest of the LR Management's Existing Debts was approximately RMB806,893,989. The interest rate of the LR Management's Existing Debts is 1% per annum, which was determined with reference to the deposit rates offered by the principal banks of CR Healthcare and the interest rates for similar funds management arrangements within the CRC group of companies. The Company has conducted a credit risk assessment and is of the view that the LR Management's Existing Debts are recoverable in accordance with the Equity Transfer Agreement I, and that no impairment has to be made thereon. In the event that condition (viii) is waived, and after the Completion, any new or additional debts from Liaoning CR Healthcare Group to LR Management or its related companies will constitute connected transactions and/or continuing connected transactions under Chapter 14A of the Listing Rules. In such cases, the Company will comply with all the applicable requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, conditions (ii), (iii) and (vi) had been satisfied.

Completion

LR Management shall cause the LH Subjects to proactively work with CR Hospital Investment in handling the procedures relating to the equity transfer in a timely manner within 5 Mainland Business Days from the date when all the above conditions to Completion are fulfilled or waived in writing (if applicable), including but not limited to recovering/changing the capital contribution certificate of LR Management, issuing the capital contribution certificate to CR Hospital Investment, changing the registers of members of the LH Subjects, signing and providing all the necessary documents for transferring the LH Subject Equity to CR Hospital Investment, launching the registration procedures for equity transfer with the company registration authorities, and ensuring that the registration authorities of the LH Subjects accept such applications within 10 Mainland Business Days from the date when all the conditions to Completion mentioned in the above section headed "Conditions Precedent to Completion" are fulfilled or waived in writing (if applicable). Upon the request of CR Hospital Investment, LR Management shall cause the LH

Subjects to designate personnel to jointly handle the abovementioned procedures for the change of company registration with CR Hospital Investment or offer all the assistance necessary to facilitate the abovementioned change procedures.

With effect from the Completion Date, Liaoning CR Healthcare will become a non-wholly owned subsidiary of the Company, and Shenzhen CR Healthcare will become a wholly owned subsidiary of the Company. The financial results of Liaoning CR Healthcare Group and Shenzhen CR Healthcare will be consolidated into the consolidated financial statements of the Group.

Transitional Period

Both parties have agreed that Liaoning CR Healthcare shall engage a qualified accounting firm to perform a special audit on the profits and losses of the LH Subjects for the Transitional Period within 5 Mainland Business Days from the Completion Date. The report on LH Special Audit for the Transitional Period issued by such accounting firm shall be used by both parties as a basis for confirming the profits and losses of the LH Subjects for the Transitional Period. The profits and losses incurred during the Transitional Period shall be calculated based on a profit-sharing model inclusive of taxes. The formula of calculation shall be: [consolidated net profit of Liaoning CR Healthcare set out in the report on LH Special Audit for the Transitional Period – consolidated net profit of LH Member Institutions for the Transitional Period + consolidated net profit of LH Member Institutions for the Transitional Period ÷ (1 + value-added tax rate of 6% on hospital management service fee) × (1 – income tax rate of 25%)] × 76.1% + net profit of Shenzhen CR Healthcare set out in the report on LH Special Audit for the Transitional Period × 100%.

Within 10 Mainland Business Days after the date when the report on LH Special Audit for the Transitional Period is officially issued and confirmed by both parties and the foreign exchange administration registration is completed by the LH Subjects, both parties shall settle the profits and losses for the Transitional Period in a lump sum in cash. In other words, any gains for the Transitional Period shall be paid by CR Hospital Investment to LR Management (after deducting the taxes filed and paid by CR Hospital Investment on behalf of LR Management as set out in the Equity Transfer Agreement I), while any losses for the Transitional Period shall be paid by LR Management to CR Hospital Investment.

Unless otherwise agreed by both parties, LR Management has undertaken to perform certain obligations during the Transitional Period, including (but not limited to):

(i) operating, managing, running and maintaining Shenzhen CR Healthcare and Liaoning CR Healthcare Group as usual, keeping the integrity and good operational conditions of Shenzhen CR Healthcare and Liaoning CR Healthcare Group, and ensuring that they are not materially and adversely affected after Completion of the LH Subject Equity;

(ii) CR Hospital Investment has the right to appoint personnel to sit in the directors' meetings and shareholders' meetings of Shenzhen CR Healthcare, Liaoning CR Healthcare and Liaoning Health Industry by giving prior written notice, and to require LR Management, Shenzhen CR Healthcare and Liaoning CR Healthcare Group to provide the relevant financial information for the Transitional Period for review by the personnel appointed by CR Hospital Investment;

(iii) guaranteeing timely performance of the existing contracts, agreements or other documents of Shenzhen CR Healthcare and Liaoning CR Healthcare Group, guaranteeing that their existing structures and staffing remain basically unchanged, guaranteeing that the staffing of the operation and management teams of Shenzhen CR Healthcare and Liaoning CR Healthcare Group remain basically unchanged, guaranteeing to maintain the relationship with the clients and suppliers, and ensuring that the business operations are not materially and adversely affected after Completion of the LH Subject Equity; and

(iv) without the prior written consent of CR Hospital Investment, no asset disposal, external guarantee, external investment, external loan, increase in debt or waiver of creditor's rights, profit distribution (or any arrangement for proposed dividend distribution or equivalent to or similar to dividend distribution, resulting in the cash or reserves of Shenzhen CR Healthcare and Liaoning CR Healthcare Group be transferred to LR Management before the Completion Date) and other behaviours that may lead to the impairment of the corresponding net asset value of Shenzhen CR Healthcare and Liaoning CR Healthcare Group shall be carried out, except those related to the daily business activities, including but not limited to the purchase of medicines and consumables, and the provision of medical services.

C. THE EQUITY AND DEBT TRANSFER AGREEMENT II

The details of the Equity and Debt Transfer Agreement II are set out below.

Date: February 22, 2023

Parties: (i) CR Hospital Investment (as transferee); and

(ii) CR Technology (as transferor).

Assets to be Acquired

CR Hospital Investment has conditionally agreed to purchase and CR Technology has conditionally agreed to sell 80% equity interests in the JE Subject on and subject to the terms and conditions of the Equity and Debt Transfer Agreement II. Based on the information provided by CR Technology, the original acquisition cost of 80% equity interests in the JE Subject paid by CR Technology was RMB646,944,600 (including the capital injection amount of RMB160,000,000 paid by CR Technology and the loan totalling RMB486,944,600 provided by CR Technology to the JE Subject).

For information about the debts to be acquired, please refer to the section headed "Assignment of JE Subject Debts" below.

JE Equity Transfer Consideration and Payment

The total consideration for the JE Equity Acquisition contemplated under the Equity and Debt Transfer Agreement II amounts to RMB244,536,000. CR Hospital Investment shall pay the JE Equity Transfer Consideration to CR Technology within 10 Mainland Business Days from the Completion Date. If CR Hospital Investment fails to pay the consideration within 10 Mainland Business Days from the Completion Date, CR Technology is entitled to claim the compensation for delayed payment of the JE Equity Transfer Consideration from CR Hospital Investment. Such compensation shall be an additional payment/extra fee to the JE Equity Transfer Consideration and shall be calculated as: the JE Equity Transfer Consideration* the number of days from the 11th day after the Completion Date to the date of actual payment/365 days* the applicable one-year loan prime rate announced by the People's Bank of China on the 10th day after the Completion Date.

The JE Equity Transfer Consideration will be funded by the internal resources and bank loans (including a short-term interest-bearing bank borrowing of RMB750,000,000) of the Group.

Basis of Determination of the Consideration

The JE Equity Transfer Consideration was determined by CR Hospital Investment and CR Technology after arm's length negotiations with reference to, among other things: (i) the market value of the entire shareholders' equity in the JE Subject of approximately RMB310,646,000 as at December 31, 2022 according to the preliminary valuation prepared by the Independent Valuer based on the market approach (such preliminary valuation is consistent with the results as set out in the valuation report issued by the Independent Valuer in Appendix IX (the "**JE Valuation Report**")); and (ii) the reasons for and benefits of the JE Equity Acquisition as stated in the section headed "Reasons for and Benefits of the Acquisitions" below.

The Company has taken into account the Outstanding Entrusted Loans (as defined below) in determining the JE Equity Transfer Consideration. As mentioned above, in determining the JE Equity Transfer Consideration, reference was made to, among others, the market value of the entire shareholders' equity in the JE Subject as at December 31, 2022 as set out in the JE Valuation Report. Save and except as stated below, the Outstanding Entrusted Loans (including the principal amounts and interests) are included in the JE Valuation Report as "Interest-bearing bank borrowings (Non-current)" in the calculation of the valuation result and have been deducted from the market value of the shareholders' equity in the JE Subject (please see page 316 of this circular for details of such calculation). The Outstanding Entrusted

Loans existed before the Acquisitions. After the Completion of the Acquisitions, CR Hospital Investment or its related companies will provide the amount of the Outstanding Entrusted Loans (including the principal amounts and interests) to Ruizhou Hospital by way of shareholder's loans or related parties' loans for Ruizhou Hospital to settle the Outstanding Entrusted Loans, which is a common arrangement in mergers and acquisitions transactions for settlement of the target company's loans to the original shareholder.

Pursuant to the Entrusted Loan Agreements, RMB80,000,000 of the Outstanding Entrusted Loans was incurred on April 19, 2022 and the remaining RMB40,000,000 of the Outstanding Entrusted Loans was incurred on November 28, 2022. The Company would like to state that when the Independent Valuer carried out the relevant valuation as at December 31, 2022, and when the Board resolved for the entering into of the Equity and Debt Transfer Agreement II and the JE Equity and Debt Acquisition, the audited financial information of the JE Subject and certain comparable companies for the year ended December 31, 2022 had not been published, and the latest available financial information of the JE Subject and the comparable companies at the time was those as at June 30, 2022. As at the Latest Practicable Date, the audited financial information of some of the comparable companies for the year ended December 31, 2022 had still not been published. Accordingly, in view of the availability and comparability of the financial information of the JE Subject and the comparable companies, the valuation assessment in the JE Valuation Report used the financial information as at June 30, 2022 and has only taken into account RMB80,000,000 of the Outstanding Entrusted Loans (i.e. RMB80,000,000 (including the principal amount and interests) is included in the JE Valuation Report as "Interest-bearing bank borrowings (Non-current)" in the valuation calculation). The remaining RMB40,000,000 of the Outstanding Entrusted Loans (including the principal amount and interests) has not been taken into account in the valuation calculation. Nevertheless, since the RMB40,000,000 loan was transferred to Ruizhou Hospital on December 28, 2022 and had not been utilized as at December 31, 2022, had this RMB40,000,000 loan been included in the valuation calculation, the amount of "Cash and cash equivalents" and the "Interest-bearing bank borrowings (Non-current)" of the JE Subject would have increased by approximately the same extent, and therefore it would not have a material impact on the valuation results.

The Company has reviewed the contents of the JE Valuation Report and considered the valuation methodology, basis for the selection of the comparable companies and valuation multiples therein as follows:

1. *Valuation methodology*

As stated in the JE Valuation Report, among the three commonly used valuation approaches, the cost approach does not directly reflect the benefits and synergies brought about by the JE Subject after the JE Equity Acquisition, and the income approach relies on long-term financial forecasts and numerous assumptions and parameters that are difficult to quantify directly which render it not the best approach. Therefore, the Independent Valuer used the market approach for the valuation. The Board considers that the adoption of the market approach is consistent with the market practice and is reasonable and appropriate.

2. Basis for the selection of the comparable companies

As stated in the JE Valuation Report, the Independent Valuer selected the comparable companies primarily based on criteria such as the composition of operating revenue from principal business activities, the proportion of revenue in each geographical location, the net profit, the location and timing of listing, the availability of relevant financial data, etc., and carried out quantitative comparison between the JE Subject and each of the comparable companies on the aforesaid selection criteria. Such criteria are consistent with the business nature and characteristics of the JE Subject, and the composition of operating revenue from principal business activities, the proportion of revenue in each geographical location etc. of the comparable companies are similar to those of the JE Subject. Therefore, the Board considers that the selection criteria are complete, reasonable and appropriate.

3. Valuation multiples

As stated in the JE Valuation Report, the Independent Valuer used the EV/EBITDA Ratio (as defined therein) as it is a capital structure neutral ratio that allows the comparison between companies with different gearing positions. In addition, the Independent Valuer adjusted the EV/EBITDA Ratio by taking into account factors such as the difference in size and scale of different comparable companies, and by applying DLOM and DLOC (as defined in the JE Valuation Report) after considering factors including the fact that the JE Subject is not listed and that the JE Equity Acquisition was for the acquisition of control. The Board considers that such valuation multiples and adjustments are in line with the conditions of the JE Subject and the relevant comparable companies, and are reasonable and appropriate considering the characteristics of the JE Equity Acquisition.

As such, the Board is of the view that the methodology, the selection criteria of the comparable companies, the parameters and assumptions adopted in the JE Valuation Report are appropriate.

In view of the above, and that the JE Equity Transfer Consideration is lower than the appraised market value of 80% shareholders' equity in the JE Subject as set out in the JE Valuation Report, representing a discount of approximately 1.6%, the Board is of the view that the JE Equity Transfer Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Time of Taking Effect

The Equity and Debt Transfer Agreement II shall take effect on the date when the legal representatives or authorised representatives of the parties thereto sign and affix their respective company chops.

Conditions Precedent to Completion

The obligation of CR Hospital Investment to acquire the JE Subject Equity under the Equity and Debt Transfer Agreement II shall be conditional upon and subject to the following conditions to Completion being fulfilled or waived by the written consent of CR Hospital Investment (as applicable):

(i) the representations, warranties and/or undertakings made by CR Technology under the Equity and Debt Transfer Agreement II remaining to be true, complete, accurate and not misleading in material aspects from the signing date of the Equity and Debt Transfer Agreement II to the Completion Date, and there being no material breach by any party under the Equity and Debt Transfer Agreement II;

(ii) CR Technology having completed the approval procedures for state-owned assets in relation to the JE Equity and Debt Acquisition and obtained the approval;

(iii) the LH Equity Acquisition and the JE Equity and Debt Acquisition having been approved by the Anti-monopoly Bureau of the PRC or its authorised authorities, and such approval not being revoked or withdrawn;

(iv) the Equity Transfer Agreement I having been validly signed and become effective, and the conditions to Completion under the Equity Transfer Agreement I having been satisfied or waived in writing (where applicable);

(v) the LH Equity Acquisition and the JE Equity and Debt Acquisition having been approved at the general meeting of the Company in accordance with the Listing Rules, the articles of association of the Company and the relevant applicable laws;

(vi) CR Healthcare having completed the approval procedures for state-owned assets in relation to the LH Equity Acquisition and obtained the approval;

(vii) a resolution having been passed at the shareholders' meeting of the JE Subject regarding the JE Equity and Debt Acquisition, and JE Group Company having issued a written consent to waive its pre-emptive rights to the JE Subject Equity as well as the relevant rights as stated in the Cooperation Agreement on the Cooperative Reform Project for Medical Institutions under Jiangxi Energy Group Co., Ltd.* (《江西省能源集團有限公司所屬醫療機構改革合作項目之合作協議》) and the Capital Increase Agreement for Jiangxi Jiangneng Medical Management Co., Ltd.* (《關於

江西江能醫療管理有限公司增資協議》)(i.e. giving up its right to be a Shareholder of the Company) or the JE Subject having passed a shareholders' resolution containing the aforesaid waiver of pre-emptive rights and providing for the aforesaid giving up on becoming a Shareholder of the Company;

(viii) due to the funds management arrangement of CR Healthcare, there are debts (excluding operating contract liabilities and the JE Subject Debts mentioned below) between CR Technology's related companies (as debtor) and the JE Member Medical Institutions (as creditor) (the "**CR Technology's Existing Debts**"). CR Technology or its related companies having entered into borrowing agreements in relation to such debts as set out in the Equity and Debt Transfer Agreement II with the JE Member Medical Institutions ("**JE Borrowing Agreements**"), and the total principal amounts of borrowings and the corresponding interest rates repayable by CR Technology or its related companies having been explicitly stated, and the term of repayment having been agreed upon, in the JE Borrowing Agreements;

(ix) any other conditions required by the Stock Exchange and SFC (if any); and

(x) subsequent to the Basis Date and up to the Completion Date, there being no and expected to be no material adverse change in the businesses, operations, assets and liabilities of the JE Subject and all JE Member Medical Institutions.

Both parties have undertaken to use their best endeavours to satisfy all the above conditions to Completion within 180 days from the signing date of the Equity and Debt Transfer Agreement II. If the conditions to Completion are not fully satisfied and waived by CR Hospital Investment in writing (if applicable) by then, CR Hospital Investment has the right to dismiss the Equity and Debt Transfer Agreement II by serving a unilateral notice to CR Technology.

Except for conditions (ii) to (vii) and (ix), all the above conditions can be waived in full or in part by CR Hospital Investment in writing. The conditions to Completion waived by CR Hospital Investment shall automatically become the post-Completion obligations of CR Technology (as if agreed by both parties in the Equity and Debt Transfer Agreement II), and shall be fulfilled within a period otherwise specified by CR Hospital Investment.

Condition (viii) above aims to reduce the agreements in relation to the CR Technology's Existing Debts into writing unambiguously in order to better govern the rights and obligations of the creditor and the debtor thereof, in particular, the repayment of such debts by the debtor. The CR Technology's Existing Debts are not intended to subsist in the long run. Pursuant to the Equity and Debt Transfer Agreement II, the CR Technology's Existing Debts shall be repaid within 10 Mainland Business Days from the Completion Date and therefore are not expected to have any impact on the Company. As at December 31, 2022, the principal amount and interest of the CR Technology's Existing Debts was approximately RMB129,140,559. The interest rate of the CR Technology's Existing Debts is 1% per annum, which was determined with reference to the deposit rates offered by the principal banks of CR Healthcare and the interest rates for similar funds management arrangements within the CRC group of companies. The Company has conducted a credit risk assessment and is of the view that the CR Technology's Existing Debts are recoverable in accordance with the Equity and Debt Transfer Agreement II, and that no impairment has to be made thereon. In the event that condition (viii) is waived, and after the Completion, any new or additional debts from the JE Subject Group to CR Technology or its related companies will constitute connected transactions and/or continuing connected transactions under Chapter 14A of the Listing Rules. In such cases, the Company will comply with all the applicable requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, conditions (ii), (iii) and (vi) had been satisfied.

Completion

CR Technology shall cause the JE Subject to proactively work with CR Hospital Investment in handling the procedures relating to the equity transfer in a timely manner within 5 Mainland Business Days from the date when all the above conditions to Completion are fulfilled or waived in writing (if applicable), including but not limited to recovering/changing the capital contribution certificate of CR Technology, issuing the capital contribution certificate to CR Hospital Investment, changing the registers of members of the JE Subject, signing and providing all the necessary documents for transferring the JE Subject Equity to CR Hospital Investment, launching the registration procedures for equity transfer with the company registration authorities, and ensuring that the registration authorities of the JE Subject accept such applications within 10 Mainland Business Days from the date when all the above conditions to Completion are fulfilled or waived in writing (if applicable). Upon the request of CR Hospital Investment, CR Technology shall cause the JE Subject to designate personnel to jointly handle the abovementioned procedures for the change of company registration with CR Hospital Investment or offer all the assistance necessary to facilitate the abovementioned change procedures.

After the Completion Date, the JE Subject will become a non-wholly owned subsidiary of the Company, and the financial results of the JE Subject Group will be consolidated into the consolidated financial statements of the Group.

Transitional Period

Both parties have agreed that the JE Subject shall engage a qualified accounting firm to perform a special audit on the profits and losses of the JE Subject for the Transitional Period within 5 Mainland Business Days from the Completion Date. The report on JE Special Audit for the Transitional Period issued by such accounting firm shall be used by both parties as a basis for confirming the profits and losses of the JE Subject for the Transitional Period. The profits and losses incurred during the Transitional Period shall be calculated based on a profit-sharing model inclusive of taxes. The formula of calculation shall be: [consolidated net profit of the JE Subject set out in the report on JE Special Audit for the Transitional Period — consolidated net profit of JE Member Medical Institutions for the Transitional Period + consolidated net profit of JE Member Medical Institutions for the Transitional Period ÷ (1 + value-added tax rate of 6% on hospital management service fee) × (1 – income tax rate of 25%)] × 80%.

Both parties shall settle the profits and losses for the Transitional Period in a lump sum in cash within 10 Mainland Business Days after the date when the report on JE Special Audit for the Transitional Period is officially issued and confirmed by both parties. In other words, any gains for the Transitional Period shall be paid by CR Hospital Investment to CR Technology, while any losses for the Transitional Period shall be paid by CR Technology to CR Hospital Investment.

Unless otherwise agreed by both parties, CR Technology has undertaken to perform the following obligations during the Transitional Period, including (but not limited to):

(i) operating, managing, running and maintaining the JE Subject as usual, keeping the integrity and good operational conditions of the JE Subject and JE Member Medical Institutions, and ensuring that they are not materially and adversely affected after Completion of the JE Subject Equity;

(ii) CR Hospital Investment has the right to appoint personnel to sit in the directors' meetings and shareholders' meetings of the JE Subject by giving prior written notice, and to require CR Technology, JE Subject and JE Member Medical Institutions to provide the relevant financial information for the Transitional Period for review by the personnel appointed by CR Hospital Investment;

(iii) guaranteeing timely performance of the existing contracts, agreements or other documents of the JE Subject and JE Member Medical Institutions, guaranteeing that their existing structures and staffing remain basically unchanged, guaranteeing that the staffing of the operation and management teams of the JE Subject and JE Member Medical Institutions remain basically unchanged, guaranteeing to maintain the relationship with the clients and suppliers, and ensuring that the business operations are not materially and adversely affected after the Completion of the JE Subject Equity; and

(iv) without the prior written consent of CR Hospital Investment, no asset disposal, external guarantee, external investment, external loan, increase in debt or waiver of creditor's rights, profit distribution (or any arrangement for proposed dividend distribution or equivalent to or similar to dividend distribution, resulting in the cash or reserves of the JE Subject and JE Member Medical Institutions be transferred to CR Technology before the Completion Date) and other behaviours that may lead to the impairment of the corresponding net asset value of the JE Subject and JE Member Medical

Institutions shall be carried out, except those related to the daily business activities, including but not limited to the purchase of medicines and consumables, and the provision of medical services.

Assignment of JE Subject Debts

As at December 31, 2022, the existing debts (excluding operating contract liabilities) between CR Technology and the JE Subject are as follows:

Debtor	Creditor	Principal balance *(RMB)*
JE Subject	CR Technology	316,944,600**

** The applicable loan interest rate for the principal balance of RMB266,944,600 is based on the loan prime rate (more than five years) announced by the People's Bank of China minus 49 bp (1 bp = 0.01%). The applicable loan interest rate for the principal balance of RMB50,000,000 is zero.

CR Technology has agreed to assign the above subject debts (including the principal balance and interests) owed by the JE Subject ("**JE Subject Debts**") to CR Hospital Investment on the Completion Date, and CR Hospital Investment has agreed to acquire the JE Subject Debts.

The JE Debt Transfer Consideration shall be the sum of the principal balance of JE Subject Debts as at the day before the date of payment of the JE Debt Transfer Consideration and the interests accrued from January 1, 2023 up to the day before the date of payment of the JE Debt Transfer Consideration as agreed under the Loan Agreements (excluding interests for 2022). CR Hospital Investment shall pay the JE Debt Transfer Consideration to CR Technology in RMB in a lump sum within 10 Mainland Business Days from the Completion Date.

With effect from the Completion Date, the JE Subject shall repay the JE Subject Debts to CR Hospital Investment (including the interests paid by CR Hospital Investment to CR Technology pursuant to the Equity and Debt Transfer Agreement II), and the method and term of repayment shall be the same as those agreed under the Loan Agreements. If the JE Subject fails to repay the JE Subject Debts by the due date, the JE Subject shall be liable to CR Hospital Investment for the breach of contract. If CR Hospital Investment fails to realise the JE Subject Debts because of reasons attributable to CR Technology, CR Technology shall be liable for compensation to CR Hospital Investment.

The salient terms of the Loan Agreements I are as follows:

Date	:	December 12, 2019 (as supplemented by its supplemental agreement signed on June 3, 2020 and its supplemental agreement II signed on May 14, 2021)
Parties	:	(i) CR Technology (as lender); and (ii) JE Subject (as borrower).
Loan amount	:	RMB530.5403 million
Purpose of the loan	:	For the payment of consideration of the sponsorship rights of the medical institutions under the JE Group Company
Term of the loan	:	7 years from the drawdown date
Interest rate	:	*(Prior to May 12, 2020)* loan prime rate (three years) announced by the People's Bank of China plus 5%. *(Effective from and after May 12, 2020)* loan prime rate (more than five years) announced by the People's Bank of China minus 49 bp (1 bp = 0.01%).
Interest payment terms	:	*(Prior to December 1, 2020)* Interests shall be paid in a lump sum on the loan repayment date. *(Effective from and after December 1, 2020)* Interests for the preceding calendar year shall be paid at the beginning of the following calendar year.

The salient terms of the Loan Agreement II are as follows:

Date	:	May 2021
Parties	:	(i) CR Technology (as lender); and
		(ii) JE Subject (as borrower).
Loan amount	:	RMB50 million
Purpose of the loan	:	For the JE Subject's working capital needs
Term of the loan	:	5 years from the drawdown date
Interest rate	:	0%

CR Hospital Investment agreed to acquire the JE Subject Debts since (i) it is a common arrangement in mergers and acquisitions transactions to acquire a vendor's loans to the target company together with such vendor's equity interests in the target company at the same time, and (ii) the JE Debt Acquisition would not have any material adverse impact on the financial position of the Group. CR Hospital Investment also considered that the applicable interest rates in relation to the JE Subject Debts were lower than the market bank loan interest rates for the corresponding periods and were therefore fair and reasonable. As such, the Board is of the view that the terms of the JE Debt Acquisition are fair and reasonable, and the JE Debt Acquisition is in the interests of the Company and the Shareholders as a whole.

Matters Subsequent to Completion

Ruizhou Hospital* (瑞州醫院) shall repay the outstanding loans obtained under the Entrusted Loan Agreements in an aggregate amount of RMB120,000,000 and the interests payable under the Entrusted Loan Agreements (together, the "**Outstanding Entrusted Loans**") to Jiangxi Runrui Health Industry Co., Ltd.* (江西潤瑞健康產業有限公司) (a related company of CR Technology) within 10 Mainland Business Days from the Completion Date. The funds for repaying the above entrusted loans and interests shall be provided by CR Hospital Investment or its related companies to Ruizhou Hospital.

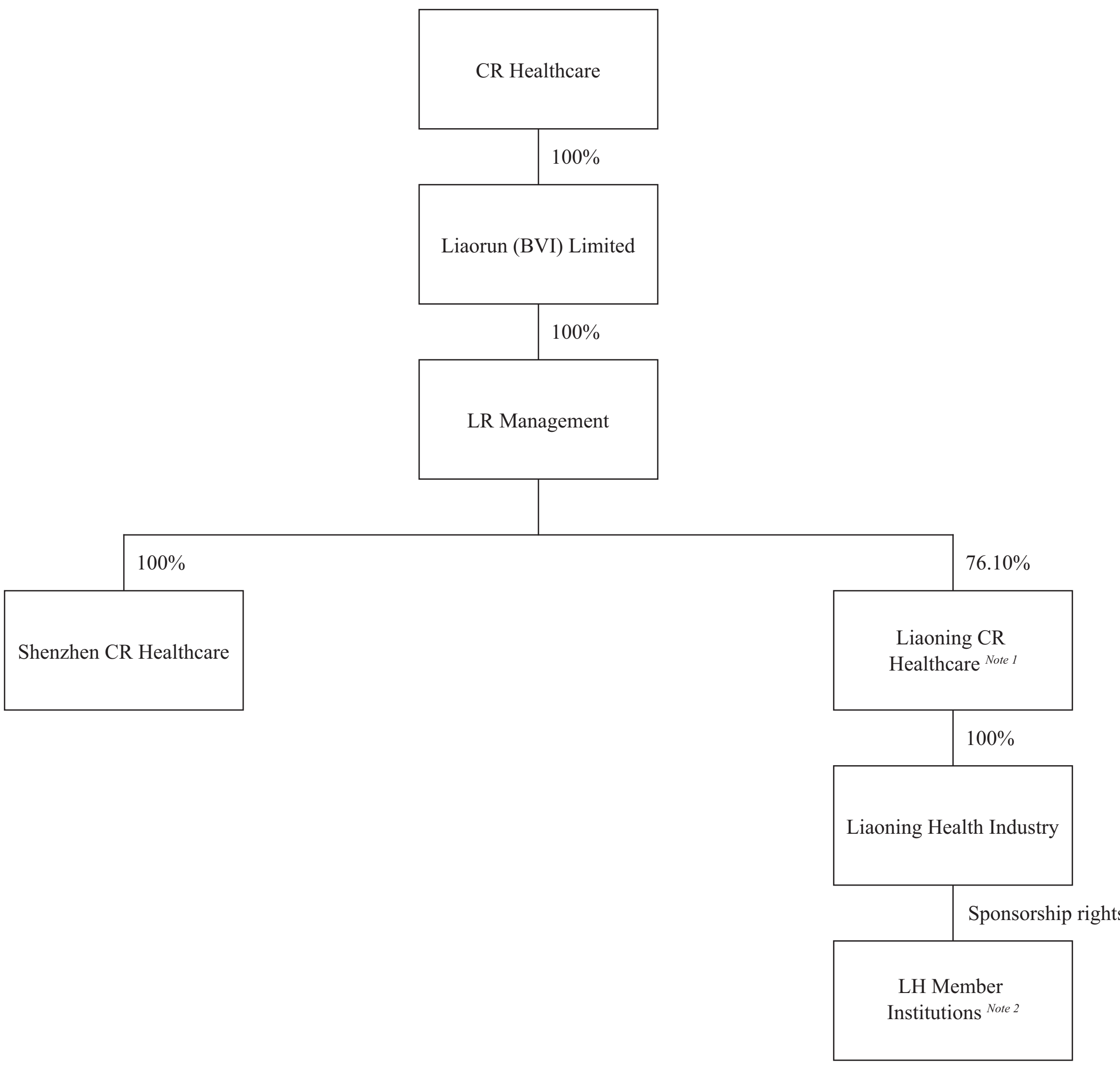
D. INFORMATION OF THE LH SUBJECTS AND THE JE SUBJECT

As at the Latest Practicable Date, LR Management owns 76.10% equity interests in Liaoning CR Healthcare and 100% equity interests in Shenzhen CR Healthcare. Liaoning Health Industry is wholly owned by Liaoning CR Healthcare. Liaoning Health Industry directly holds the sponsorship rights of 31 LH Member Institutions. As at the Latest Practicable Date, Liaoning CR Healthcare was owned as to (i) 76.10% by CRC (a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration of the State Council in the PRC) ultimately and (ii) 21.96%, 1.62% and

0.32% by Liaoning Holdings Corporation Ltd.* (遼寧控股(集團)有限責任公司), Liaoning Provincial Transportation Investment Group Co., Ltd.* (遼寧省交通建設投資集團有限責任公司) and Liaoning Water Resource Management Group Co., Ltd.* (遼寧省水資源管理集團有限責任公司), respectively, each of which was ultimately controlled by the State-owned Assets Supervision and Administration Commission of Liaoning Provincial Government.

The following diagram depicts the shareholding structure of Liaoning CR Healthcare Group and Shenzhen CR Healthcare as at the Latest Practicable Date and immediately after Completion:

Shareholding structure of Liaoning CR Healthcare Group and Shenzhen CR Healthcare as at the Latest Practicable Date:

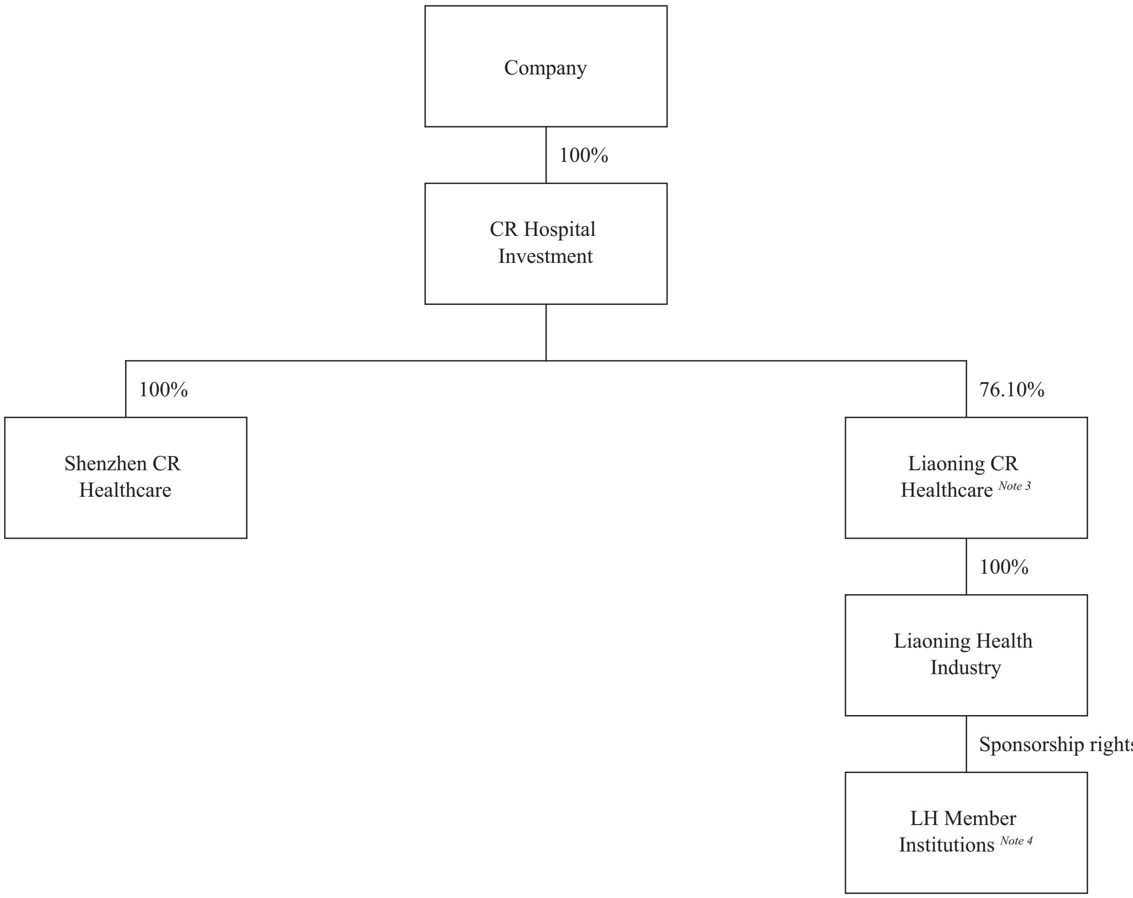


Note 1: On March 31, 2021, Liaoning CR Healthcare, Dalian Port Group Co., Ltd.* (大連港集團有限公司) (the "**Dalian Port Group**"), Yingkou Port Group Co., Ltd.* (營口港務集團有限公司) (the "**Yingkou Port Group**") and Liaoning Port Company signed an equity transfer agreement, stipulating that Dalian Port Group and Yingkou Port Group would respectively transfer 67.21% and 2.79% equity interests in Liaoning Port Company to Liaoning CR Healthcare (the

"**Liaoning Port Company Acquisition**"). Liaoning Port Company has two member medical institutions, namely Dalian Port Hospital and Yingkou Port Hospital. Pursuant to the conditions precedent to Completion of the Equity Transfer Agreement I, Liaoning CR Healthcare will dispose of its 70% equity interests in Liaoning Port Company before the Completion Date. Therefore, Liaoning Port Company has not been included in Liaoning CR Healthcare Group, and Yingkou Port Hospital and Dalian Port Hospital have not been included in the LH Member Institutions.

Note 2: The LH Member Institutions include: (1) Fushun Mining Bureau General Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團撫礦總醫院); (2) Fushun Mining Bureau Brain Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團撫礦腦科醫院); (3) Fushun Mining Bureau Laohutai Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團撫礦老虎台醫院); (4) Fushun Mining Bureau Shengli Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團撫礦勝利醫院); (5) Fushun Mining Bureau Jixiu Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團撫礦機修醫院); (6) Fushun Mining Bureau Xilutian Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團撫礦西露天醫院); (7) Shenfu Rehabilitation Medical Center of Liaoning Health Industry Group (遼寧省健康產業集團瀋撫康復醫療中心); (8) Shenyang Coal General Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團瀋煤總醫院); (9) Shenyang Coal Qingshui Erjing Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團瀋煤清水二井醫院); (10) Shenyang Coal Linsheng Mine Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團瀋煤林盛礦醫院); (11) Shenyang Coal Hongling Mine Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團瀋煤紅菱礦醫院); (12) Shenyang Coal Qiantun Mine Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團瀋煤前屯礦醫院); (13) Shenyang Coal Hongyang Third Mine Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團瀋煤紅陽三礦醫院); (14) Shenyang Coal Xima Mine Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團瀋煤西馬礦醫院); (15) Benxi Iron and Steel General Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團本鋼總醫院); (16) Benxi Disease Prevention and Control Centre of Liaoning Health Industry Group* (遼寧省健康產業集團本鋼疾病預防控制中心); (17) Benxi Iron and Steel Nandi Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團本鋼南地醫院); (18) Benxi Iron and Steel Nanfen Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團本鋼南芬醫院); (19) Benxi Iron and Steel Waitoushan Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團本鋼歪頭山醫院); (20) Benxi Iron and Steel Chest Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團本鋼胸科醫院); (21) Benxi Iron and Steel Beiying Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團本鋼北營醫院); (22) Benxi Iron and Steel Occupational Diseases Prevention and Treatment Institute of Liaoning Health Industry Group* (遼寧省健康產業集團本鋼職業病防治所); (23) Fuxin Mining General Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團阜新礦總醫院); (24) Fuxin Mining Occupational Disease Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團阜新礦職業病防治院); (25) Fuxin Mining Psychiatric Rehabilitation Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團阜新礦精神康復醫院); (26) Fuxin Mining Pingan Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團阜新礦平安醫院); (27) Fuxin Mining Chengnan Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團阜新礦城南醫院); (28) 157 Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團一五七醫院); (29) Huachen Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團華晨醫院); (30) Tie Coal Group General Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團鐵煤總醫院); and (31) Nuclear Industry General Hospital of Liaoning Health Industry Group* (遼寧省健康產業集團核工業總醫院).

Shareholding structure of Liaoning CR Healthcare Group and Shenzhen CR Healthcare immediately after Completion:



Note 3: Please see Note 1 above.

Note 4: Please see Note 2 above.

Financial Information of Liaoning CR Healthcare Group

Liaoning CR Healthcare is a company incorporated in the PRC with limited liability. Liaoning CR Healthcare Group is principally engaged in the operation and management of hospitals, clinics and medical facilities, and the provision of related extended services in the PRC. As at December 31, 2022, Liaoning CR Healthcare Group comprised 5 grade III hospitals (including 4 grade IIIA hospitals), 11 grade II hospitals (including 10 grade IIA hospitals) and 11 grade I hospitals (all were medical institutions with independent legal personality), among which 3 hospitals were clinical colleges of medical schools and 1 was a teaching hospital of a medical school. It had a total of approximately 9,174 beds and approximately 8,827 employees (including about 429 chief doctors, 656 deputy chief doctors, 865 attending doctors and 449 resident doctors), providing basic medical services to a population of nearly 16.375 million in the Liaoning region; in 2022, the number of annual discharges was over 224,000 and the number of annual outpatient visits was over 8,124,000. It had 21 national standardized professional training bases for resident doctors, 4 pharmaceutical clinical trial organizations (covering 6 specialties), 17 provincial key specialties and 31 municipal key specialties, and its disciplines such as neurology, neurosurgery, cardiology, emergency medicine and general surgery have reached a leading level in the region. In particular, the Fushun Mining Bureau General Hospital of Liaoning Health Industry Group and Tie Coal Group General Hospital of Liaoning Health Industry Group, as the leading hospitals in the locality, have a good reputation among patients.

Based on the financial statements of Liaoning CR Healthcare Group audited under the Hong Kong Auditing Standards and prepared in accordance with the basis of preparation described in the notes to the financial statements, the total assets and net assets of Liaoning CR Healthcare Group as at December 31, 2022 were approximately RMB3,551,853,000 and RMB1,487,703,000, respectively.

The profit before and after tax of Liaoning CR Healthcare Group for the years ended December 31, 2020, 2021 and 2022 is set out as below:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Profit before tax	167,850	222,489	353,937
Profit after tax	157,658	206,493	330,799

The audited revenue of Liaoning CR Healthcare Group for the years ended December 31, 2021 and 2022 was approximately RMB3,121,942,000 and RMB3,141,813,000, respectively.

Financial Information of Shenzhen CR Healthcare

Shenzhen CR Healthcare is a company incorporated in the PRC with limited liability and is principally engaged in the supply chain management services in the PRC.

Based on the financial statements of Shenzhen CR Healthcare audited under the Hong Kong Auditing Standards and prepared in accordance with the basis of preparation described in the notes to the financial statements, the total assets and net assets of Shenzhen CR Healthcare as at December 31, 2022 were approximately RMB23,083,000 and RMB16,014,000, respectively.

The profit before and after tax of Shenzhen CR Healthcare for the years ended December 31, 2020, 2021 and 2022 is set out as below:

	Year ended December 31,		
	2020(Note)	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Profit before tax	—	5,286	14,229
Profit after tax	—	4,486	11,528

Note: Shenzhen CR Healthcare did not start operation until October 2021.

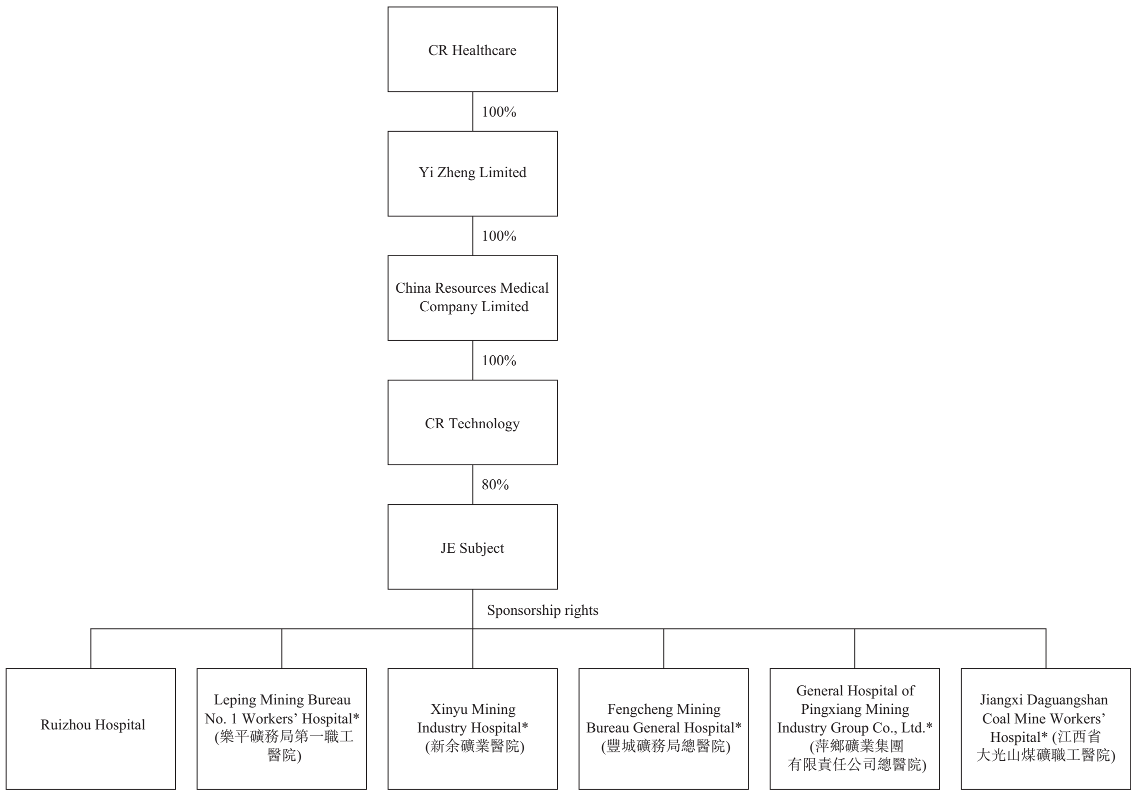
The audited revenue of Shenzhen CR Healthcare for the years ended December 31, 2021 and 2022 was approximately RMB10,148,000 and RMB37,673,000, respectively.

JE Subject Group

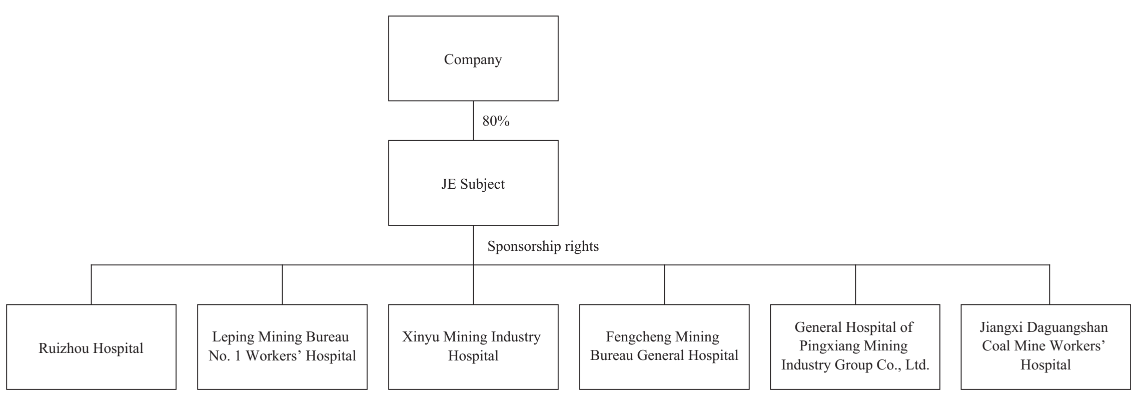
As at the Latest Practicable Date, the JE Subject directly holds the sponsorship rights of six JE Member Medical Institutions. As at the Latest Practicable Date, the JE Subject was owned as to (i) 80% by CRC (a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration of the State Council in the PRC) ultimately and (ii) 20% by JE Group Company which was ultimately controlled by the State-owned Assets Supervision and Administration Commission of Jiangxi Province.

The following diagram depicts the shareholding structure of the JE Subject Group as at the Latest Practicable Date and immediately after Completion:

Shareholding structure of the JE Subject Group as at the Latest Practicable Date:



Shareholding structure of the JE Subject Group immediately after Completion:



Financial Information of JE Subject Group

The JE Subject is a company incorporated in the PRC with limited liability and is an investment holding company. The JE Subject Group is principally engaged in the operation and management of hospitals, clinics and medical facilities in the PRC. As at December 31, 2022, the JE Subject Group comprised 1 grade IIIA hospital, 4 grade II hospitals (including 1 grade IIA hospital) and 1 grade I hospital (all were medical institutions with independent legal personality), among which 1 hospital was an affiliated hospital of a medical school. It had a total of approximately 2,370 beds and approximately 2,092 employees (including about 16 chief doctors, 135 deputy chief doctors, 168 attending doctors and 85 resident doctors), providing basic medical services to a population of nearly 6.4 million in the Jiangxi region; in 2022, the number of annual discharges was over 62,900 and the number of annual outpatient visits was over 727,500. It had 1 pharmaceutical clinical trial organization (covering 2 specialties), 1 provincial key specialty and 3 municipal key specialties, featuring disciplines such as Chinese medical nephrology, medical care and rehabilitation, where its featured disciplines have a good reputation among patients in the locality.

Based on the financial statements of the JE Subject Group audited under the Hong Kong Auditing Standards and prepared in accordance with the basis of preparation described in the notes to the financial statements, the total assets and net assets of the JE Subject Group as at December 31, 2022 were approximately RMB1,195,525,000 and RMB198,604,000, respectively.

The profit before and after tax of the JE Subject Group for the years ended December 31, 2020, 2021 and 2022 is set out as below:

	Year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Profit before tax	6,142	23,243	22,925
Profit after tax	6,142	23,243	22,925

The audited revenue of the JE Subject Group for the years ended December 31, 2021 and 2022 was approximately RMB690,651,000 and RMB694,135,000, respectively.

E. REASONS FOR AND BENEFITS OF THE ACQUISITIONS

Being a listed company in the health sector of CRH, the Company continues to implement the strategic initiative of building a healthy China and the Guidance on Deepening Reform of Educational and Medical Institutions Operated by State-owned Enterprises* (《關於國有企業辦教育醫療機構深化改革的指導意見》) published by the State-owned Assets Supervision and Administration Commission of the State Council. The Company has a clear business model with a strong track record. After the completion of the Acquisitions, the Group will be able to provide more room for the development of the acquired assets, which will further enhance synergies, reduce unit costs, improve operational efficiency and profitability, and further consolidate and strengthen the Company's market share and leading position in the medical sector, helping the Company to be the mainstay of maintaining the healthy development of the medical industry and state-operated hospitals.

After the acquisition of the assets and businesses of each of Liaoning CR Healthcare Group, Shenzhen CR Healthcare and JE Subject Group, the Company's business scale will be further expanded and the Company will become a leading integrated healthcare group in the capital markets of both the PRC and Hong Kong both in terms of the number of its medical institutions and the scale of the consolidated revenue, which constitutes new growth highlights. In addition, the Acquisitions will facilitate the Company's expansion of its nationwide footprint and continue to enhance its market influence. Moreover, the Company will continue to promote group operation and management and, by means of supply chain integration, complete cost management mechanism and service information system etc., fully empower the target assets of the Acquisitions and further enhance their profitability and unleash their growth rate to increase the Company's long-term value.

None of the Directors is considered to have a material interest in the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions. As part of good corporate governance measures, Mr. SONG Qing, Mr. YU Hai, Ms. REN Yuan and Mr. SHAN Baojie, the executive Directors, and Mr. HU Hui, the non-executive Director, have abstained from voting on the relevant Board resolutions given that they serve as senior management in CRH and/or CR Healthcare. The Directors (including the members of the Independent Board Committee whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, after considering the advice from Maxa Capital) consider that the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions are conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

F. EFFECT OF THE ACQUISITIONS ON THE COMPANY'S EARNINGS, ASSETS AND LIABILITIES

Earnings

Upon the Completion, the Group will be interested in 76.10% equity interests in Liaoning CR Healthcare, 100% equity interests in Shenzhen CR Healthcare and 80% equity interests in the JE Subject, and Liaoning CR Healthcare, Shenzhen CR Healthcare and the JE Subject will become subsidiaries of the Group. The financial results of Liaoning CR Healthcare Group, Shenzhen CR Healthcare and the JE Subject Group will be consolidated into the Group's financial statements. As set out in Appendices II to IV to this circular, Liaoning CR Healthcare, Shenzhen CR Healthcare and the JE Subject recorded a profit after tax for the year ended 31 December 2022 of approximately RMB330,799,000, RMB11,528,000 and RMB22,925,000, respectively. It is expected that Liaoning CR Healthcare, Shenzhen CR Healthcare and the JE Subject, as subsidiaries of the Enlarged Group, will provide additional revenue streams to the Enlarged Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix VI to this circular, if the Acquisitions had taken place on 31 December 2022, the Enlarged Group's total assets would increase from approximately RMB11,103,102,000 to approximately RMB14,479,415,000 and the Enlarged Group's total liabilities would increase from approximately RMB4,105,049,000 to approximately RMB7,464,657,000, resulting in total consolidated net assets of approximately RMB7,014,758,000 upon the completion of the Acquisitions. Further details of the financial effect of the Acquisitions together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix VI to this circular.

G. INFORMATION OF THE PARTIES

Information of the Company

The Group is principally engaged in the provision of general healthcare services, hospital management services and the relevant centralised purchasing business in the PRC and is headquartered in Beijing.

Information of the Transferors

LR Management

LR Management is a company established in Hong Kong with limited liability and is principally engaged in hospital management services. As at the Latest Practicable Date, LR Management is indirectly wholly owned by CR Healthcare, and CR Healthcare is indirectly wholly owned by CRH, a controlling shareholder of the Company. CRH is indirectly wholly owned by CRC, a company established in the PRC with limited liability, which is a state-owned enterprise regulated by the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC. CRC is an enterprise group operating multiple businesses in the PRC and Hong Kong, including but not limited to consumer products, integrated energy, urban construction and operation, comprehensive healthcare, industrial finance, technology and emerging industries.

CR Technology

CR Technology is a company incorporated in the PRC with limited liability and is principally engaged in hospital management services. As at the Latest Practicable Date, CR Technology is indirectly wholly owned by CR Healthcare.

H. LISTING RULES IMPLICATIONS

As LR Management (transferor under the Equity Transfer Agreement I) and CR Technology (transferor under the Equity and Debt Transfer Agreement II) share the same controlling shareholder, CR Healthcare, and the LH Equity Acquisition contemplated under the Equity Transfer Agreement I and the JE Equity and Debt Acquisition contemplated under the Equity and Debt Transfer Agreement II will constitute a series of transactions within a 12-month period, the LH Equity Acquisition shall be aggregated with the JE Equity and Debt Acquisition under Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratio(s) stipulated under the Listing Rules in respect of the LH Equity Acquisition and JE Equity and Debt Acquisition exceed 25% but all of the applicable percentage ratios are less than 100%, the Acquisitions constitute a major transaction of the Company and are therefore subject to the reporting, announcement, shareholders' approval and circular requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, each of LR Management and CR Technology is indirectly wholly owned by CR Healthcare, and CR Healthcare is indirectly wholly owned by CRH, a controlling shareholder of the Company. Therefore, both LR Management and CR Technology are the connected persons of the Company. Under Chapter 14A of the Listing Rules, the Acquisitions contemplated under the Equity Transfer Agreement I and Equity and Debt Transfer Agreement II constitute a connected transaction of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with the Listing Rules, the Independent Board Committee, comprising Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Mr. LEE Kar Chung Felix and Mr. FU Tingmei, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions.

Under Rule 14A.44 of the Listing Rules, Maxa Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions and as to how the Independent Shareholders should vote.

J. EGM

The Company will convene the EGM at 14/F, Kunlun Center Office Building, No.9 Fuyi Street, Fengtai District, Beijing, the People's Republic of China on May 17, 2023 at 9:30 a.m. for the Independent Shareholders to consider and, if thought fit, among others, approve the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions. The notice of the EGM is set out on pages 329 to 331 of this circular.

Pursuant to the Listing Rules, the votes of the Independent Shareholders on the proposed ordinary resolution approving the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions will be taken by way of poll at the EGM and an announcement on the poll results will be made by the Company after the EGM.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder or their associates who have a material interest in the transactions shall abstain from voting at the EGM on the resolution approving the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions. As at the Latest Practicable Date, CRH is interested in 474,319,516 Shares (representing approximately 36.58% of the issued Shares): (1) 463,681,516 of such Shares are directly held by CRH (Medical) Limited. CRH (Medical) Limited is wholly owned by CR Healthcare. CR Healthcare is wholly owned by CRH (Healthcare) Limited. CRH (Healthcare) Limited is wholly owned by CRH; and (2) 10,638,000 of these Shares are directly held by Commotra Company Limited which is wholly owned by CRH. CRH is a controlling shareholder of the Company and has a material interest in the Acquisitions, and shall abstain from voting on the resolution approving the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, apart from CRH and its associates (as described above), no other Shareholder is required to abstain from voting on the resolution approving the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions at the EGM.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.crmedical.hk).

Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same 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 as soon as possible but in any event not less than 48 hours before the time scheduled for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish and in such event, the form of proxy shall be deemed to be revoked.

K. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 39 to 40 of this circular which contains its opinion and recommendations on the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 41 to 67 of this circular which contains its advice on the Equity Transfer Agreement I, the Equity and Debt

Transfer Agreement II and the Acquisitions and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice; and (iii) additional information set out in the Appendices to this circular.

The Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, after considering the advice from Maxa Capital) are of the view that (i) the terms of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions are fair and reasonable; and (ii) although not in the ordinary and usual course of business of the Group, the Acquisitions are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the entering into of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions at the EGM.

Accordingly, the Board (including the independent non-executive Directors) also recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the entering into of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions at the EGM.

Yours faithfully,
For and on behalf of the Board
China Resources Medical Holdings Company Limited
SONG Qing
Chairman

華潤醫療
CR MEDICAL

China Resources Medical Holdings Company Limited
華潤醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

April 27, 2023

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITIONS OF LH SUBJECT EQUITY, JE SUBJECT EQUITY AND JE SUBJECT DEBTS

We refer to the circular of the Company dated April 27, 2023 (the "**Circular**") despatched to the Shareholders of which this letter forms a part. Unless the context otherwise requires, capitalised terms and expressions used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the entering into of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Maxa Capital has been appointed to advise the Independent Board Committee and Independent Shareholders in respect of the abovementioned matters.

We wish to draw your attention to the letter from the Board set out on pages 8 to 38 of the Circular and the letter from Maxa Capital set out on pages 41 to 67 of the Circular.

Having considered the terms of the Equity Transfer Agreement I and the Equity and Debt Transfer Agreement II and the advice given by Maxa Capital, we are of the opinion that (i) the terms of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions are fair and reasonable; and (ii) although not in the ordinary and usual course of business of the Group, the Acquisitions are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the entering into of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions at the EGM.

Yours faithfully,
Independent Board Committee

Mr. WU Ting Yuk, Anthony *Independent non-executive Director*	**Mr. KWONG Kwok Kong** *Independent non-executive Director*	**Mr. LEE Kar Chung Felix** *Independent non-executive Director*	**Mr. FU Tingmei** *Independent non-executive Director*

The following is the full text of the letter from Maxa Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

邁時資本
MAXA CAPITAL

Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

April 27, 2023

To the Independent Board Committee and the Independent Shareholders

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITIONS OF LH SUBJECT EQUITY, JE SUBJECT EQUITY AND JE SUBJECT DEBTS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board of Committee and the Independent Shareholders in relation to the acquisition of (i) 76.10% equity interests in Liaoning CR Healthcare and 100% equity interests in Shenzhen CR Healthcare; and (ii) 80% equity interests in the JE Subject and the debts owed by the JE Subject to CR Technology, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated April 27, 2023 issued by the Company ("the **Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On February 22, 2023, CR Hospital Investment (a wholly owned subsidiary of the Company) (as transferee) entered into the Equity Transfer Agreement I with LR Management (as transferor), pursuant to which LR Management has conditionally agreed to sell and CR Hospital Investment has conditionally agreed to purchase 76.10% equity interests in Liaoning CR Healthcare and 100% equity interests in Shenzhen CR Healthcare at a consideration of RMB3,394,607,000, which will be settled in cash. As at the Latest Practicable Date, Liaoning CR Healthcare holds one wholly owned subsidiary and indirectly holds the sponsorship rights of 31 LH Member Institutions that principally provide medical services in Liaoning region, whereas Shenzhen CR Healthcare principally engaged in the supply chain management services in the PRC.

On February 22, 2023, CR Hospital Investment (a wholly owned subsidiary of the Company) (as transferee) entered into the Equity and Debt Transfer Agreement II with CR Technology (as transferor), pursuant to which CR Technology has conditionally agreed to sell and CR Hospital Investment has conditionally agreed to purchase 80% equity interests in the JE Subject at a consideration of RMB244,536,000 and to acquire the debts owed by the JE Subject to CR Technology based on the principal balance of JE Subject Debts with accrued interests on the Completion Date (the principal balance amounted to RMB316,944,600 as at December 31, 2022 for illustrative purpose), which will be settled in cash. As at the Latest Practicable Date, the JE Subject directly holds the sponsorship rights of six JE Member Medical Institutions that principally provide medical services in Jiangxi region.

LISTING RULES IMPLICATIONS

As LR Management (transferor under the Equity Transfer Agreement I) and CR Technology (transferor under the Equity and Debt Transfer Agreement II) share the same controlling shareholder, CR Healthcare, and the LH Equity Acquisition contemplated under the Equity Transfer Agreement I and the JE Equity and Debt Acquisition contemplated under the Equity and Debt Transfer Agreement II will constitute a series of transactions within a 12-month period, the LH Equity Acquisition shall be aggregated with the JE Equity and Debt Acquisition under Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio stipulated under the Listing Rules in respect of the LH Equity Acquisition and JE Equity and Debt Acquisition exceeds 25% but all of the applicable percentage ratios are less than 100%, the Acquisitions constitute a major transaction of the Company and are therefore subject to the reporting, announcement, shareholders' approval and circular requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, each of LR Management and CR Technology is indirectly wholly owned by CR Healthcare, and CR Healthcare is indirectly wholly owned by CRH, a controlling shareholder of the Company. Therefore, both LR Management and CR Technology are the connected persons of the Company. Under Chapter 14A of the Listing Rules, the Acquisitions contemplated under the Equity Transfer Agreement I and the Equity and Debt Transfer Agreement II constitute a connected transaction of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, among other things, approve the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder or their associates who have a material interest in the transactions shall abstain from voting at the EGM on the resolution approving the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, apart from the CRH and its associates (as described in the Letter from the Board), no other Shareholder is required to abstain from voting on the resolution approving the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions at the EGM.

The Independent Board Committee comprising Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Mr. LEE Kar Chung Felix and Mr. FU Tingmei, being all of the independent non-executive Directors, has been established to advise the Independent

Shareholders on the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions. We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions. Save for this appointment, we were appointed once as the independent financial adviser in the last two years in relation to a continuing connected transaction of the Company, details of which were set out in the circular of the Company dated December 13, 2022. The aforesaid previous appointment was limited to providing one-off independent advisory service, of which Maxa Capital received normal professional fees. Accordingly, we do not consider such previous appointment give rise to any conflict of interest for Maxa Capital in acting as the Independent Financial Adviser. Apart from the normal advisory fee payable to us in connection with this appointment and the previous appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the Equity Transfer Agreement I; (ii) the Equity and Debt Transfer Agreement II; (iii) the annual results announcement of the Company for the year ended December 31, 2022 (the "**2022 ARA**"); (iv) the annual report of the Company for the year ended December 31, 2021 (the "**2021 AR**"); (v) the audit reports of Liaoning CR Healthcare, Shenzhen CR Healthcare and JE Subject for the three years ended December 31, 2022; and (vi) the valuation reports of the equity interests in Liaoning CR Healthcare, Shenzhen CR Healthcare and JE Subject. We consider that we have reviewed sufficient and relevant information and documents, and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the "**Management**"). We have reviewed, *inter alia*, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM.

We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Company, LR Management, CR Technology, Liaoning CR Healthcare, Shenzhen CR Healthcare, JE Subject and each of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Company is an investment holding company and is mainly engaged in the provision of general healthcare services, hospital management services, and also group purchasing organisation ("**GPO**") business and other derived business from hospitals in the PRC. Set out below is the summarised financial information of the Group for the three years ended December 31, 2020, 2021 and 2022 ("**FY2020**", "**FY2021**" and "**FY2022**", respectively), as extracted from the 2021 AR and the 2022 ARA:

	For the year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Total revenue	**2,750,650**	**4,447,477**	**5,620,461**
General healthcare services	1,643,620	3,088,545	4,786,447
Hospital management services	137,858	164,394	127,601
Third-party supply chain service fees	180,286	233,301	173,332
GPO business	1,005,912	1,253,888	1,105,454
Other hospital-derived services	33,510	44,921	21,599
Eliminations	(250,536)	(337,572)	(593,972)
Profit for the year/period	**320,321**	**425,864**	**159,342**

As disclosed in the 2021 AR, the total revenue of the Group was approximately RMB4,447.5 million for FY2021, representing an increase of approximately RMB1,696.8 million or 61.7% as compared to FY2020, whereas the profit for FY2021 was approximately RMB425.9 million, representing an increase of approximately RMB105.5 million or 32.9% as compared to FY2020. Such increase in the revenue and the profit for the year was primarily attributable to the combined effect of (i) the effects in relation to the completion of acquisitions of Huaiyin Hospital as well as the consolidation of financial statements of Guangdong 999 Brain Hospital, Xukuang Hospital and Huaibei City Mental Health Center; (ii) the improved profit contribution of the Company's member hospitals, resulting from the successful implementation of the Company's strategy in strengthening the management of daily operation and promoting service quality and operation efficiency, which helped member hospitals effectively cope with the challenges brought by the epidemic and improved overall financial performance with the overall number of outpatients and inpatients increased by 39.9% and 28.3% respectively as compared to FY2020; and (iii) the number of medical institutions under the Group's management and operation increased to 120, representing a 12.1% increase compared to the 107 medical institutions in FY2020.

As disclosed in the 2022 ARA, the total revenue of the Group was approximately RMB5,620.5 million for FY2022, representing an increase of approximately RMB1,173.0 million or 26.4% as compared to FY2021, whereas the profit for the period was approximately RMB159.3 million, representing a decrease of approximately RMB266.5 million or 62.6% as compared to FY2021. Such increase in the revenue was primarily attributable to the improved operating efficiency as well as the effects in relation to the consolidation of certain hospitals, while a decrease in profit for the year was mainly attributable to the operating losses and impairment of approximately RMB108 million in respect of the goodwill of the Huaiyin Hospital, which was acquired by the Group in 2021, as well as exchange losses of RMB159 million due to the relatively significant depreciation of RMB during FY2022. As of December 31, 2022, the number of annual outpatient visits and inpatient visits of the Group's member hospitals increase by 41.6% and 1.5% as compared with FY2021.

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Non-current assets	4,816,301	6,543,020	6,429,268
Current assets	4,146,892	3,924,582	4,673,834
Total assets	**8,963,193**	**10,467,602**	**11,103,102**
Non-current liabilities	415,553	177,423	1,214,340
Current liabilities	2,207,186	3,443,734	2,890,709
Total liabilities	**2,622,739**	**3,621,157**	**4,105,049**
Net current assets	1,939,706	480,848	1,783,125
Net assets	**6,340,454**	**6,846,445**	**6,998,053**

As disclosed in the 2021 AR, the Group recorded net assets of approximately RMB6,846.4 million as at December 31, 2021 as compared to net assets of approximately RMB6,340.5 million as at December 31, 2020. Such increase was mainly attributable to the increase in profit for the year as a result of the improved profit contribution of the Company's member hospitals.

As disclosed in the 2022 ARA, the Group recorded net assets of approximately RMB6,998.1 million as at December 31, 2022 as compared to net assets of approximately RMB6,846.4 million as at December 31, 2021. Such increase was mainly attributable to the increase in profit for the year due to member hospitals achieved satisfactory improvement in terms of their operating results.

2. Background information of Liaoning CR Healthcare Group, Shenzhen CR Healthcare and JE Subject Group

2.1 Liaoning CR Healthcare Group

Liaoning CR Healthcare is a company incorporated in the PRC with limited liability. Liaoning CR Healthcare Group is principally engaged in the operation and management of hospitals, clinics and medical facilities, and the provision of related extended services in the PRC. As at December 31, 2022, Liaoning CR Healthcare Group comprised 5 grade III hospitals (including 4 grade IIIA hospitals), 11 grade II hospitals (including 10 grade IIA hospitals) and 11 grade I hospitals, among which 3 hospitals were clinical colleges of medical schools and 1 was a teaching hospital of a medical school.

As at the Latest Practicable Date, LR Management owned 76.10% equity interests in Liaoning CR Healthcare. Liaoning Health Industry is wholly owned by Liaoning CR Healthcare. Liaoning Health Industry directly holds the sponsorship rights of 31 LH Member Institutions. Please refer to the section headed "INFORMATION OF THE LH SUBJECTS AND THE JE SUBJECT" in the Letter from the Board for further details of the shareholding structure of Liaoning CR Healthcare Group as at the Latest Practicable Date and immediately after Completion.

Set out below are the audited consolidated financial information of Liaoning CR Healthcare for the three years ended December 31, 2022:

	For the year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Total revenue	2,782,819	3,121,942	3,141,813
Profit/(loss) for the year	157,658	206,493	330,799

The total revenue of Liaoning CR Healthcare amounted to approximately RMB3,121.9 million for FY2021, representing an increase of 12.2% as compared to that for FY2020, whereas the profit for FY2021 increased by 31.0% to approximately RMB206.5 million as compared to that for FY2020. We understood from the management of the Company that such increase in the revenue and profit for the year was primarily attributable to the following factors: (i) the hospitals increased their number of patient visits by strengthening the establishment of disciplines and improving the quality of patient services in FY2021; (ii) the gross margin increased by approximately 3.4 percent year-on-year, mainly due to the cost reduction in the pharmaceuticals and medical consumables; (iii) the increase in administrative expenses of approximately RMB144.0 million, among which approximately RMB100 million was due to the increased long-term employee benefits under the adjusted heating subsidy policy of certain hospitals in 2021, and approximately RMB40 million was due to the increased revenue scale; and (iv) a decrease in financial expenses due to decrease in net bank borrowings by approximately RMB60 million in 2021.

The total revenue of Liaoning CR Healthcare amounted to approximately RMB3,141.8 million for FY2022, representing an increase of 0.6% as compared to that for FY2021, whereas the profit for FY2022 increased by approximately 60.2% to approximately RMB330.8 million as compared to that for FY2021. We understood from the management of the Company that such slowing revenue growth and continuous increase in profit for the year was primarily attributable to the following factors: (i) the adjustments to work arrangements on infection prevention and control by some of the hospitals in 2022, leading to a slowdown in revenue increase; (ii) the increase in wages and allowances leading to an approximately 0.5 percent decrease in gross profit margin; and (iii) the decrease in administrative expenses of approximately RMB120 million mainly due to the accrued long-term employee benefits under the adjusted heating subsidy policy of certain hospitals of RMB100 million for FY2021.

	As at December 31, 2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Total assets	3,139,201	3,407,753	3,551,853
Total liabilities	2,297,685	2,352,975	2,064,150
Total equity	841,516	1,054,778	1,487,703

As shown in the table above, Liaoning CR Healthcare's total equity increased by 25.3% to approximately RMB1,054.8 million as at December 31, 2021 as compared to that as at December 31, 2020, and further increased by 41.0% to approximately RMB1,487.7 million as at December 31, 2022. We understood from the management of the Company that such continuous increase was primarily attributable to (i) the net profit of approximately RMB206.5 million for FY2021 as well as the decrease of approximately RMB237.3 million in net bank borrowings as at December 31, 2021; and (ii) the net profit of approximately RMB330.8 million for FY2022.

2.2 Shenzhen CR Healthcare

Shenzhen CR Healthcare is a company incorporated in the PRC with limited liability and is principally engaged in supply chain management services in the PRC. As at the Latest Practicable Date, LR Management owned 100% equity interests in Shenzhen CR Healthcare. Please refer to the section headed "INFORMATION OF THE LH SUBJECTS AND THE JE SUBJECT" in the Letter from the Board for further details of the shareholding structure of Shenzhen CR Healthcare as at the Latest Practicable Date and immediately after Completion. Set out below are the audited consolidated financial information of Shenzhen CR Healthcare for the two years ended December 31, 2022:

	For the year ended December 31, 2021	2022
	RMB'000	*RMB'000*
	(audited)	(audited)
Total revenue	10,148	37,673
Profit/(loss) for the year	4,486	11,528

The total revenue of Shenzhen CR Healthcare for FY2022 is more than 271.2% of the revenue for FY2021, and the profit for FY2022 increased 157.0% as compared to that for FY2021. We understood from the management of the Company that such substantial increase in the revenue and profit for the year was primarily attributable to the increased revenue from the gradual business expansion into the provision of supply chain management services and the improvement in the business operation model.

	As at December 31,	
	2021	**2022**
	RMB'000	*RMB'000*
	(audited)	(audited)
Total assets	12,682	23,083
Total liabilities	8,196	7,069
Total equity	4,486	16,014

Shenzhen CR Healthcare's total equity increased significantly from approximately RMB4.5 million as at December 31, 2021 to approximately RMB16.0 million as at December 31, 2022, representing an increase of approximately 257.0%. We understood from the management of the Company that such significant increase was primarily attributable to the net profit of approximately RMB11.5 million for FY2022.

2.3 JE Subject Group

JE Subject is a company incorporated in the PRC with limited liability and is an investment holding company. The JE Subject Group is principally engaged in the operation and management of hospitals, clinics and medical facilities in the PRC. As at December 31, 2022, the JE Subject Group comprised 1 grade IIIA hospital, 4 grade II hospitals (including 1 grade IIA hospital) and 1 grade I hospital (all were medical institutions with independent legal personality), among which 1 hospital was an affiliated hospital of a medical school.

As at the Latest Practicable Date, CR Technology owned 80% of the equity interests in JE Subject and JE Subject directly held the sponsorship rights of six JE Member Medical Institutions. Please refer to the section headed "INFORMATION OF THE LH SUBJECTS AND THE JE SUBJECT" in the Letter from the Board for details of the shareholding structure of JE Subject Group as at the Latest Practicable Date and immediately after Completion.

Set out below are the audited consolidated financial information of the JE Subject for the three years ended December 31, 2022:

	For the year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Total revenue	635,238	690,651	694,135
Profit/(loss) for the year	6,142	23,243	22,925

JE Subject recorded a substantial growth in revenue during the three years ended December 31, 2022. For FY2021, JE Subject recorded revenue of approximately RMB690.7 million, representing an increase of approximately RMB55.4 million or 8.7% as compared to that for FY2020, whereas the profit for FY2021 increased by 278.4% to approximately RMB23.2 million as compared to that for FY2020. We understood from the management of the Company that such increase in the revenue and profit for the year was primarily attributable to the following factors: (i) the hospitals strengthening their external publicity and improving the quality of patient services in FY2021; and (ii) the net profit margin maintains stable at approximately 10.1%.

The total revenue of JE Subject amounted to approximately RMB694.1 million for FY2022, representing an increase of 0.5% as compared to that for FY2021, whereas the profit for FY2022 decreased by 1.4% to approximately RMB22.9 million as compared to that for FY2021. The slowdown in revenue growth is mainly due to the adjustments to work arrangements on infection prevention and control by the hospitals in FY2022.

	As at December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Total assets	1,100,445	1,087,696	1,195,525
Total liabilities	949,517	912,025	996,921
Total equity	150,928	175,671	198,604

JE Subject's total equity gradually increased by 16.4% to approximately RMB175.7 million as at December 31, 2021 as compared to that as at December 31, 2020, and continued to increase by 13.1% to approximately RMB198.6 as at December 31, 2022. We understood from the management of the Company that such increase was primarily attributable to the net profit of approximately RMB23.2 million and RMB22.9 million for FY2021 and FY2022, respectively.

3. Background information of the Transferors

3.1 LR Management

LR Management is a company established in Hong Kong with limited liability and is principally engaged in hospital management services. As at the Latest Practicable Date, LR Management is indirectly wholly owned by CR Healthcare, and CR Healthcare is indirectly wholly owned by CRH, a controlling shareholder of the Company. CRH is indirectly wholly owned by CRC, a company established in the PRC with limited liability, which is a state-owned enterprise regulated by the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC. CRC is an enterprise group operating multiple businesses in the PRC and Hong Kong, including but not limited to consumer products, integrated energy, urban construction and operation, comprehensive health, industrial finance, technology and emerging industries.

3.2 CR Technology

CR Technology is a company incorporated in the PRC with limited liability and is principally engaged in hospital management services. As at the Latest Practicable Date, CR Technology is indirectly wholly owned by CR Healthcare.

4. Reasons for and benefits of the Acquisitions

As disclosed in the 2021 AR and the 2022 ARA, the number of medical institutions under the Group's management and operation increased to 116 as at December 31, 2022 from 107 medical institutions as at December 31, 2020. As disclosed in the 2021 AR, the Group will act as an advocator of state-owned hospital reform and will take opportunities to acquire local state-owned hospitals at opportune times so as to realise external growth. As disclosed in the 2022 ARA, in terms of extension growth, the Group will inject high-quality medical resources within the China Resources Group as and when appropriate, continue to focus on core areas, and incubate and cultivate high-quality merger pipelines, in order to achieve business growth targets.

As disclosed in the Letter from the Board, being a listed company in the health sector of CRH, the Company continues to implement the strategic initiative of building a healthy China and the Guidance on Deepening Reform of Educational and Medical Institutions Operated by State-owned Enterprises* (《關於國有企業辦教育醫療機構深化改革的指導意見》) published by the State-owned Assets Supervision and Administration Commission of the State Council. The Company has a clear business model with a strong track record. After the completion of the Acquisitions, the Group will be able to provide more room for the development of the acquired assets, which will further enhance synergies, reduce unit costs, improve operational efficiency and profitability, and further consolidate and strengthen the Company's market share and leading position in the medical sector, helping the Company to be the mainstay of maintaining the healthy development of the medical industry and state-operated hospitals.

After the acquisition of the assets and businesses of each of Liaoning CR Healthcare Group, Shenzhen CR Healthcare and JE Subject Group, the Company's business scale will be further expanded and the Company will become a leading integrated healthcare group in the capital markets of both the PRC and Hong Kong both in terms of the number of its medical institutions and the scale of the consolidated revenue, which constitutes new growth highlights. In addition, the Acquisitions will facilitate the Company's expansion of its nationwide footprint and continue to enhance its market influence. Moreover, the Company will continue to promote group operation and management and, by means of supply chain integration, complete cost management mechanism and service information system etc., fully empower the target assets of the Acquisitions and further enhance their profitability and unleash their growth rate to increase the Company's long-term value.

In view of the abovementioned, we consider that the Acquisitions are consistent with the Group's strategy to further expand its business scales through external growth; and we concur with the Directors that the Acquisitions are in the interests of the Company and the Shareholders as a whole.

5. Principal Terms of the Equity Transfer Agreement I and Equity and Debt Transfer Agreement II

5.1 Equity Transfer Agreement I

Date:	February 22, 2023
Parties:	CR Hospital Investment as transferee and LR Management as transferor
Assets to be acquired:	CR Hospital Investment has conditionally agreed to purchase and LR Management has conditionally agreed to sell 76.10% equity interests in Liaoning CR Healthcare and 100% equity interests in Shenzhen CR Healthcare on and subject to the terms and conditions of the Equity Transfer Agreement I. Based on the information provided by LR Management, the original acquisition cost of 76.10% equity interests in Liaoning CR Healthcare paid by LR Management was RMB2,352,302,600. Shenzhen CR Healthcare was established by China Resources Medical Company Limited, a wholly owned subsidiary of CR Healthcare, on August 3, 2018. On June 30, 2022, China Resources Medical Company Limited transferred 100% equity interests in Shenzhen CR Healthcare to LR Management at RMB1 (determined on the basis that it is an internal transfer within CR Healthcare Group).

LH Equity Transfer Consideration and Payment: The total consideration for the LH Equity Acquisition contemplated under the Equity Transfer Agreement I amounts to RMB3,394,607,000. CR Hospital Investment shall pay the LH Equity Transfer Consideration after deducting the taxes filed and paid by CR Hospital Investment on behalf of LR Management in accordance with the Equity Transfer Agreement I (the "**LH Equity Transfer Consideration Amount Payable**") to LR Management in a lump sum within 75 days from the Completion Date. The payment of the LH Equity Transfer Consideration Amount Payable is subject to the completion of the filing for payment of taxes by CR Hospital Investment on behalf of LR Management in accordance with the Equity Transfer Agreement I and the completion of foreign exchange administration registration by LH Subjects. If CR Hospital Investment fails to pay the LH Equity Transfer Consideration Amount Payable within 75 days from the Completion Date, LR Management is entitled to claim the compensation for delayed payment of the LH Equity Transfer Consideration Amount Payable from CR Hospital Investment. Such compensation shall be an additional payment/extra fee to the LH Equity Transfer Consideration and shall be calculated as: the LH Equity Transfer Consideration Amount Payable* the number of days from the 76th day after the Completion Date to the date of actual payment/365 days* the applicable one-year loan prime rate announced by the People's Bank of China on the 75th day after the Completion Date.

The LH Equity Transfer Consideration will be funded by the internal resources and bank loans (including a short-term interest-bearing bank borrowing of RMB750,000,000) of the Group.

For further details of the terms of the Equity Transfer Agreement I, such as time of taking effect, conditions precedent to completion, completion and transitional period, please refer to the section headed "THE EQUITY TRANSFER AGREEMENT I" in the Letter from the Board.

5.2 Equity and Debt Transfer Agreement II

Date: February 22, 2023

Parties: CR Hospital Investment as transferee and CR Technology as transferor

Assets to be acquired: CR Hospital Investment has conditionally agreed to purchase and CR Technology has conditionally agreed to sell 80% equity interests in the JE Subject on and subject to the terms and conditions of the Equity and Debt Transfer Agreement II. Based on the information provided by CR Technology, the original acquisition cost of 80% equity interests in the JE Subject paid by CR Technology was RMB646,944,600 (including the capital injection amount of RMB160,000,000 paid by CR Technology and the loan totalling RMB486,944,600 provided by CR Technology to the JE Subject).

For information about the debts to be acquired, please refer to the section headed "Assignment of JE Subject Debts" as set out in the Letter from the Board.

JE Equity Transfer Consideration and Payment: The total consideration for the JE Equity Acquisition contemplated under the Equity and Debt Transfer Agreement II amounts to RMB244,536,000. CR Hospital Investment shall pay the JE Equity Transfer Consideration to CR Technology within 10 Mainland Business Days from the Completion Date. If CR Hospital Investment fails to pay the consideration within 10 Mainland Business Days from the Completion Date, CR Technology is entitled to claim the compensation for delayed payment of the JE Equity Transfer Consideration from CR Hospital Investment. Such compensation shall be an additional payment/extra fee to the JE Equity Transfer Consideration and shall be calculated as: the JE Equity Transfer Consideration* the number of days from the 11th day after the Completion Date to the date of actual payment/365 days* the applicable one-year loan prime rate announced by the People's Bank of China on the 10th day after the Completion Date.

The JE Equity Transfer Consideration will be funded by the internal resources and bank loans (including a short-term interest-bearing bank borrowing of RMB750,000,000) of the Group.

Assignment of JE Subject Debts

As at December 31, 2022, the existing debts (excluding operating contract liabilities) between CR Technology and the JE Subject are as follows:

Debtor	Creditor	Principal Balance *(RMB)*
JE Subject	CR Technology	316,944,600**

** The applicable loan interest rate for the principal balance of RMB266,944,600 is based on the loan prime rate (more than five years) announced by the People's Bank of China minus 49 bp (1bp = 0.01%). The applicable loan interest rate for the principal balance of RMB50,000,000 is zero.

CR Technology has agreed to assign the above subject debts (including the principal balance and interests) owed by the JE Subject ("**JE Subject Debts**") to CR Hospital Investment on the Completion Date, and CR Hospital Investment has agreed to acquire the JE Subject Debts.

The JE Debt Transfer Consideration shall be the sum of the principal balance of JE Subject Debts as at the day before the date of payment of the JE Debt Transfer Consideration and the interests accrued from January 1, 2023 up to the day before the date of payment of the JE Debt Transfer Consideration as agreed under the Loan Agreements (excluding interests for 2022). CR Hospital Investment shall pay the JE Debt Transfer Consideration to CR Technology in RMB in a lump sum within 10 Mainland Business Days from the Completion Date.

With effect from the Completion Date, the JE Subject shall repay the JE Subject Debts to CR Hospital Investment (including the interests paid by CR Hospital Investment to CR Technology pursuant to the Equity and Debt Transfer Agreement II), and the method and term of repayment shall be the same as those agreed under the Loan Agreements. If the JE Subject fails to repay the JE Subject Debts by the due date, the JE Subject shall be liable to CR Hospital Investment for the breach of contract. If CR Hospital Investment fails to realise the JE Subject Debts because of reasons attributable to CR Technology, CR Technology shall be liable for compensation to CR Hospital Investment. For further details of the terms of the salient terms of the Loan Agreements I and Loan Agreement II, please refer to the section headed "Assignment of JE Subject Debts" in the Letter from the Board.

Matters Subsequent to Completion

Ruizhou Hospital* (瑞州醫院) shall repay the outstanding loans obtained under the Entrusted Loan Agreements in an aggregate amount of RMB120,000,000 and the interests payable under the Entrusted Loan Agreements (together, the "**Outstanding Entrusted Loans**") to Jiangxi Runrui Health Industry Co., Ltd.* (江西潤瑞健康產業有限公司) (a related company of CR Technology) within 10 Mainland Business Days from the Completion Date. The funds for repaying the above entrusted loans and interests shall be provided by CR Hospital Investment or its related companies to Ruizhou Hospital.

For further details of the terms of the Equity and Debt Transfer Agreement II, such as time to taking effect, conditions precedent to completion, completion and transitional period, please refer to the section headed "THE EQUITY AND DEBT TRANSFER AGREEMENT II" in the Letter from the Board.

6. Assessment of the LH Equity Transfer Consideration and JE Equity Transfer Consideration

The LH Equity Transfer Consideration was determined by CR Hospital Investment and LR Management after arm's length negotiations with reference to, among other things: (i) the market value of the 100% equity interest in each of Liaoning CR Healthcare and Shenzhen CR Healthcare of approximately RMB4,453,074,000 and RMB136,958,000, respectively, as at December 31, 2022 according to the preliminary valuation prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Independent Valuer, based on the market approach; and (ii) the reasons for and benefits of the LH Equity Acquisition as stated in the section headed "Reasons for and Benefits of the Acquisitions" as set out in the Letter from the Board.

The JE Equity Transfer Consideration was determined by CR Hospital Investment and CR Technology after arm's length negotiations with reference to, among other things: (i) the market value of the entire shareholders' equity in the JE Subject of approximately RMB310,646,000 as at December 31, 2022 according to the preliminary valuation prepared by the Independent Valuer based on the market approach; and (ii) the reasons for and benefits of the JE Equity Acquisition as stated in the section headed "Reasons for and Benefits of the Acquisitions" as set out in the Letter from the Board.

6.1 Assessment of Liaoning CR Valuation Report, Shenzhen CR Valuation Report and JE Subject Valuation Report

The Company has engaged the Independent Valuer to prepare (i) a valuation report on the market value of the 76.1% equity interest in Liaoning CR Healthcare as at December 31, 2022 (the "**Liaoning CR Valuation Report**"); (ii) a valuation report on the 100% equity interest in Shenzhen CR Healthcare (the "**Shenzhen CR Valuation Report**") as at December 31, 2022; and (iii) a valuation report on the market value of the 80% equity interest in JE Subject as at December 31, 2022 (the "**JE Subject Valuation Report**"). We have reviewed such valuation reports and noted that as at December 31, 2022, (i) the market value of 76.1% equity interest in Liaoning CR Healthcare is RMB3,389 million; (ii) the market value of 100% equity interest in Shenzhen CR Healthcare is RMB137 million; and (iii) the market value of 80% Equity Interest in JE Subject is RMB249 million.

In order to assess the expertise and independence of the Independent Valuer, we have obtained and reviewed the engagement letter and relevant licenses, qualifications and experience of the Independent Valuer and its working team. We have discussed with the working team of Independent Valuer to understand its previous experiences on valuation projects, the methodologies, basis and assumptions they have adopted in the valuation reports as well as the steps and measures taken by them in conducting such valuation. The Independent Valuer confirmed that it is independent from the Group and their respective associates. Based on the above, we consider that the Independent Valuer is qualified and possesses relevant experience in conducting the valuations, and the terms and scope of the engagement between the Company and the Independent Valuer are appropriate to the opinion the Independent Valuer is required to give.

We have reviewed the three valuation reports and noted that the market approach is adopted in all such reports. The Independent Valuer has considered three generally accepted approaches, namely, market approach, cost approach and income approach. In the business valuation context, the market approach valuation shall analyse recent transaction(s) in the equity interest of the valuation subject and/or comparable companies and benchmark the valuation subject with the selected comparable(s). We understood from the Independent Valuer that the cost approach does not directly incorporate information about the economic benefits contributed by LH Subject and JE Subject; whereas the income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions, not all of which can be easily quantified or ascertained.

The Independent Valuer has selected the enterprise value ("**EV**") to earnings before interest, tax, depreciation and amortisation ("**EBITDA**") (collectively known as "**EV/EBITDA**") multiple in valuing the 76.1% equity interest in Liaoning CR Healthcare Group, the 100% equity interest in Shenzhen CR Healthcare Group and 80% equity interests in JE Subject Equity given that such multiple is suitable for profitable companies and can factor in differences in balance sheet positions between the subject and the comparable companies. We understood that (i) Price-to-earnings ("**P/E**") multiple is not appropriate as P/E does not capture the financial leverage and other related risk across the comparable companies; (ii) price-to-book ("**P/B**") multiple is not adopted as P/B fails to capture the intangible company-specific competencies and advantages so in general, the equity's book value has little bearing with its fair value; and (iii) price-to-sales and EV-to-sales multiple are not applicable as they do not take into account LH Subject and JE Subject's profitability.

6.1.1 Liaoning CR Valuation Report

We have reviewed the exhaustive list of five comparable companies identified from the following selection criteria by the Independent Valuer: (i) the companies are publicly listed on the Stock Exchange, Shenzhen Stock Exchange or Shanghai Stock Exchange no fewer than six months; (ii) the companies derive more than half of their revenues from the healthcare services and more than half of the healthcare services revenues are derived from the in-patient hospital service; (iii) the companies derive more than half of their revenues from operating in Mainland China; (iv) the companies have positive net income; and (v) sufficient data, including the EV/EBITDA ratio, on the comparable companies are available as at the Valuation Date. As (i) from the year ended December 31, 2019 ("**FY2019**") to the six months ended June 30, 2022 ("**1H2022**"), Liaoning CR Healthcare generated 99% of its revenue from healthcare services, and 58% of its revenue from healthcare services was from in-patient hospital services; (ii) all of Liaoning CR Healthcare's revenue are derived from operating in Mainland China; and (iii) Liaoning CR Healthcare recorded positive net income for the trailing twelve months ended June 30, 2022, we consider that the selection criteria adopted by the Independent Valuer are fair and reasonable.

The Independent Valuer applied the median of the adjusted EV/EBITDA multiple of 9.88 times and the EBITDA for the twelve months ended June 30, 2022 of Liaoning CR Healthcare Group of approximately RMB401.7 million to arrive at the EV. The cash and cash equivalents are added back, while the preferred equity, minority interest as well as interest-bearing bank borrowings, borrowings from the immediate holding company and lease liabilities are deducted from the EV when calculating the 76.1% equity interest before the adjustments of a control premium ("**CP**") of 28.7% and a discount for lack of marketability ("**DLOM**") of 15.8%. CP is applied to reflect the differences between the comparable companies and Liaoning CR Healthcare with regard to the ability to make decisions, while DLOM is applied to reflect the differences in the ability to convert business interest into cash quickly with minimum transaction and administrative costs and with a high degree of certainty as to the amount of net proceeds (i.e. Liaoning CR Healthcare being a private company while the comparable companies being all publicly listed). Based on our interview with the Independent Valuer, we understood that the abovementioned adjustments are fully in line with the relevant valuation and market standards for appraising equity interests in the PRC. We noted that a DLOM of 15.8% was adopted based on the *2021 edition of the Stout Restricted Stock Study Companion Guide* issued by Stout Risius Ross, LLC., which represents the most widely used and accepted database available to valuators for DLOM determination. We also noted that a CP of 28.70% is adopted based on the Mergerstat Control Premium Study (4th Quarter 2022) published by FactSet Mergerstat, LLC., which is a widely accepted sources among valuers.

6.1.2 Shenzhen CR Valuation Report

We have reviewed the exhaustive list of 19 comparable companies identified from the following selection criteria by the Independent Valuer: (i) the companies are publicly listed on the Stock Exchange, Shenzhen Stock Exchange or Shanghai Stock Exchange no fewer than six months; (ii) the companies derive more than half of their revenues from the distribution of medicines; (iii) the companies derive more than half of their revenues from operating in Mainland China; (iv) the companies have positive net income; and (v) sufficient data, including the EV/EBITDA ratio, on the comparable companies, are available as at the Valuation Date. As (i) for the trailing twelve months ended June 30, 2022, Shenzhen CR Healthcare generated 71% of its revenue from the distribution of medicines and pharmaceutical products, and 79% of its revenue from the distribution of medicines and pharmaceutical products was from the distribution of medicines; (ii) all of Shenzhen CR Healthcare's revenue are derived from operating in Mainland China; and (iii) Shenzhen CR Healthcare recorded positive net income for the trailing twelve months ended June 30, 2022, we consider that the selection criteria adopted by the Independent Valuer are fair and reasonable.

The Independent Valuer applied the median of the adjusted EV/EBITDA multiple of 7.33 times and the EBITDA for the twelve months ended June 30, 2022 of Shenzhen CR Healthcare Group of approximately RMB15.8 million to arrive at the EV. The cash and cash equivalents are added back, while the preferred equity, minority interest and interest-bearing bank borrowings are deducted from the EV when calculating the 100% equity interest before the adjustments of a CP of 28.7% and a DLOM of 15.8%.

6.1.3 JE Subject Valuation Report

We have reviewed the exhaustive list of five comparable companies identified from the following selection criteria by the Independent Valuer: (i) the companies are publicly listed on the Stock Exchange, Shenzhen Stock Exchange or Shanghai Stock Exchange no fewer than six months; (ii) the companies derive more than half of their revenues from the healthcare services and more than half of the healthcare services revenues are derived from the in-patient hospital service; (iii) the companies derive more than half of their revenues from operating in Mainland China; (iv) the companies have positive net income; and (v) sufficient data, including the EV/EBITDA ratio, on the comparable companies are available as at the Valuation Date. As (i) from FY2019 to 1H2022, JE Subject generated 99% of its revenue from healthcare services, and 74% of its revenue from healthcare services was from the in-patient hospital services; (ii) all of JE Subject's revenue are derived from operating in Mainland China; and (iii) JE Subject recorded positive net income for the trailing twelve months ended June 30, 2022, we consider that the selection criteria adopted by the Independent Valuer are fair and reasonable.

The Independent Valuer applied the median of the adjusted EV/EBITDA multiple of 8.47 times and the EBITDA for the twelve months ended June 30, 2022 of JE Subject Group of approximately RMB77.7 million to arrive at the EV. The cash and cash equivalents are added back, while the preferred equity, minority interest as well as interest-bearing bank borrowings, borrowings from the immediate holding company and lease liabilities, are deducted from the EV when calculating the 80% equity interests before the adjustments of a CP of 28.7% and a DLOM of 15.8%.

As disclosed in the Letter from the Board, the Company has taken into account the Outstanding Entrusted Loans in determining the JE Equity Transfer Consideration. The Outstanding Entrusted Loans existed before the Acquisitions. After the Completion of the Acquisitions, CR Hospital Investment or its related companies will provide the amount of the Outstanding Entrusted Loans (including the principal amounts and interests) to Ruizhou Hospital by way of shareholder's loans or related parties' loans for Ruizhou Hospital to settle the Outstanding Entrusted Loans, which is a common arrangement in mergers and acquisitions transactions for settlement of the target company's loans to the original shareholder. The Outstanding Entrusted Loans (including the principal amounts and interests) are included in the JE Subject Valuation Report as "Interest-bearing bank borrowings (Non-current)" in the calculation of the valuation result and have been deducted from the market value of the shareholders' equity in the JE Subject. For further details, please refer to the section headed "THE EQUITY AND DEBT TRANSFER AGREEMENT II — Basis of Determination of the Consideration" in the Letter from the Board.

We have reviewed the details of the calculation as set out in the valuation report and noted that only RMB80,000,000 of the Outstanding Entrusted Loans is included in the JE Subject Valuation Report as "Interest-bearing bank borrowings (Non-current)" in the valuation calculation and then deducted from the enterprise value before arriving at the market value of equity interest in the JE Subject. The remaining RMB40,000,000 of the Outstanding Entrusted Loans has not been taken into account in the valuation calculation since such amount was transferred to Ruizhou Hospital on December 28, 2022 and had not been utilized as at December 31, 2022. Had this RMB40,000,000 loan been included in the valuation calculation, the amount of "Cash and cash equivalents" and as the "Interest-bearing bank borrowings (Non-current)" of the JE Subject would have increased by approximately the same extent, and therefore it would not have a material impact on the valuation results.

Taking into account the above work and steps we have conducted in relation to the relevant valuation reports, including but not limited to (i) interviewing the Independent Valuer as to its expertise and its independence; (ii) reviewing the terms of engagement of the Independent Valuer and assessing the appropriateness of its scope of work; (iii) assessment on the reasonableness of the valuation methodologies, basis and assumptions being adopted in the valuation reports; (iv) our cross-checking of the details of the calculation as set out in the three valuation reports prepared by the Independent Valuer; and (v) the LH Equity Transfer Consideration and JE Equity Transfer Consideration representing a discount of approximately 3.7% and 1.6% to the valuation of the relevant equity interests respectively we consider each of the LH Equity Transfer Consideration and JE Equity Transfer Consideration is fair and reasonable.

6.2 Comparable Companies Analysis

Since the LH Equity Acquisition and the JE Equity and Debt Acquisition are inter-conditional, the Acquisitions are a bundle deal to the Company and hence we set out our analysis below in relation to the LH Equity Transfer Consideration and JE Equity Transfer Consideration (the "**Total Equity Consideration**") as a whole. In order to further assess the fairness and the reasonableness of the Total Equity Consideration, we have adopted the P/E multiple analysis and P/B multiple analysis, which are the most widely used and accepted methods for valuing a business which is profitable and with heavy assets such as hospitals. We have conducted a comparable analysis through identifying listed companies (i) whose shares are listed on the Hong Kong Stock Exchange; (ii) at least 50% of whose total revenue for FY2022 is generated from the general in-patient hospital services in the PRC; and (iii) which recorded net profit for FY2022. Four comparable companies ("**Comparable Companies**") have been identified based on the abovementioned criteria, which is an exhaustive list and forms a representative sample to provide us with the recent market sentiment on valuation of the relevant companies.

Stock code	Company name	Business description[1]	Revenue (RMB million)	Business Location	Percentage of revenue generated from the general in-patient hospital services[2]
3689.HK	Guangdong Kanghua Healthcare Co., Ltd.	Guangdong Kanghua Healthcare Co Ltd is a company mainly engaged in hospital business. The company operates in four segments. Hospital services segment mainly operates in Kanghua Hospital, providing inpatient medical care, outpatient medical care and physical examination services. Rehabilitation and other healthcare services segment mainly provides rehabilitation services such as nursing care, training for the disabled, and other medical-related services for patients with physical and mental disabilities. Sales of pharmaceutical products segment mainly sells pharmaceuticals and medical consumables to patients. Others segment is mainly engaged in elderly medical and healthcare services. The company mainly operates two hospitals, namely Kanghua hospital and Renkang hospital.	1,870.9	PRC	94%
9906.HK	Honliv Healthcare Management Group Company Limited	Honliv Healthcare Management Group Co Ltd is a holding company mainly engaged in providing medical services. The company provides the treatment and comprehensive medical services through its Henan Honliv Hospital which covers various departments, including obstetrics and gynecology, cardiovascular medicine and orthopedics. The company mainly provides medical services to the patients in Changyuan County and surrounding counties. It's also engaged in selling drugs through Henan Hongli Hospital. The hospital management services provide operation and management services to hospitals.	728.4	PRC	64%

Stock code	Company name	Business description[1]	Revenue (RMB million)	Business Location	Percentage of revenue generated from the general in-patient hospital services[2]
1515.HK	China Resources Medical Holdings Company Limited	China Resources Medical Holdings Company Limited, formerly China Resources Phoenix Healthcare Holdings Co., Ltd, is an investment holding company mainly engaged in the group purchasing organization (GPO) business. Along with subsidiaries, the Company operates its business through four segments. The GPO business segment is involved in the sales of pharmaceuticals, medical devices and medical consumables to Jian Gong Hospital, the Internet of things (IOT) Hospitals and external customers. The general healthcare services segment provides hospital services provided through Jian Gong Hospital and 999 Medical Clinic (Shenzhen) Co., Ltd. The hospital management and consulting services segment provides comprehensive management and consulting services to IOT Hospitals and sponsored hospitals and receives an annual fee. The other hospital-derived services segment provides medical consultation service to third parties.	5,686.4	PRC	82%
6078.HK	Hygeia Healthcare Holdings Co., Limited	Hygeia Healthcare Holdings Co Ltd is a China-based investment holding company principally involved in oncology medical business. Through its subsidiaries, the company mainly operates three segments. The hospital Business segment provides outpatient and inpatient services for patients through its own hospitals. The radiotherapy business segment provides radiotherapy center consulting services, as well as the leasing, sales, disposal, and post-sales repair and maintenance services of radiotherapy equipment. The hospital management service segment provides management related services to other hospitals. The company conducts its businesses in the domestic market.	3,206.3	PRC	95%
	LH Subject and JE Subject		3,873.6	PRC	60%

*Source: Wind Financial Terminal ("**WFT**")*[3]

Notes:

1. Provided by Refinitiv, an LSEG (London Stock Exchange Group) business, one of the world's largest providers of financial markets data and infrastructure.

2. Percentage of revenue generated from the general in-patient hospital services for FY2022.

3. WFT is a powerful financial software and indispensable business partner to global financial institutions, investment and research firms, corporates, government authorities, and media etc., providing global financial data, information and insights on all asset classes such as equity, bond, futures, FX, fund, index, option, commodities, as well as commercial data in macroeconomics, industry sectors and corporate operations.

Based on the above table, we consider the Comparable Companies are comparable to the LH Subject and the JE Subject in terms of business nature, and operation location and revenue combination. Set out below is the summary of the market capitalisation, P/E and P/B of the Comparable Companies:

Stock code	**Company name**	**Market Capitalisation as at the Latest Practicable Date** *(HK$ million)*	**P/E**[1] *(times)*	**P/B**[2] *(times)*
3689.HK	Guangdong Kanghua Healthcare Co., Ltd.	735.7	10.77	0.44
9906.HK	Honliv Healthcare Management Group Company Limited	1,182.0	21.57	1.92
1515.HK	China Resources Medical Holdings Company Limited	9,854.7	63.34	1.36
6078.HK	Hygeia Healthcare Holdings Co., Limited	35,807.4	67.09	6.48
Minimum			10.77	0.44
Average			40.69	2.55
Maximum			67.09	6.48
	LH Subject Equity and JE Subject Equity		12.92	2.78

Source: WFT

Notes:

1. The P/E of Comparable Companies is calculated based on their respective market capitalisation on the Latest Practicable Date and net profit attributable to shareholders for FY2022.

2. The P/B of Comparable Companies is calculated based on their respective market capitalisation on the Latest Practicable Date and net asset value attributable to shareholders as at December 31, 2022.

As shown in table above, the P/E of the Comparable Companies ranged from approximately 10.77 times to approximately 67.09 times, with an average of approximately 40.69 times; the P/B of the Comparable Companies ranged from approximately 0.44 times to approximately 6.48 times, with an average of approximately 2.55 times.

Based on (i) the aggregate amount of 76.10% of net profit attributable to shareholders of Liaoning CR Healthcare Group,100% of net profit attributable to shareholders of Shenzhen CR Healthcare and 80% of net profit attributable to shareholders of JE Subject Group for FY2022; (ii) the aggregate amount of 76.10% of net asset value attributable to shareholders of Liaoning CR Healthcare Group, 100% of net asset value attributable to shareholders of Shenzhen CR Healthcare and 80% of net asset value attributable to shareholders of JE Subject Group as at December 31, 2022 and (iii) the Total Equity Consideration of RMB3,639,143,000, the implied P/E of LH Subject Equity and JE Subject Equity would be approximately 12.92 times which falls within the range of the P/E of the Comparable Companies and below the average P/E of the Comparable Companies; and the implied P/B of LH Subject Equity and JE Subject Equity would be approximately 2.78 times which falls within the range of the P/B of the Comparable Companies and close to the average P/B of the Comparable Companies.

Taking into account (i) the list of Comparable Companies is an exhaustive list and forms a representative sample of the recent market sentiment on valuation of the relevant companies; and (ii) the implied P/E Ratios and the implied P/B Ratios of LH Subject Equity and JE Subject Equity fall within the range of Comparable Companies, we consider that the Total Equity Consideration are fair and reasonable as far as the Independent Shareholders are concerned.

7. Financial effects of the Acquisitions on the Group

With effect from the Completion Date, (i) Liaoning CR Healthcare will become a non-wholly owned subsidiary of the Company; (ii) Shenzhen CR Healthcare will become a wholly owned subsidiary of the Company; and (iii) the JE Subject will become a non-wholly owned subsidiary of the Company. The financial results of Liaoning CR Healthcare Group, Shenzhen CR Healthcare and the JE Subject will be consolidated into the consolidated financial statements of the Group.

The analysis below is based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VI to the Circular (the "**Pro Forma Financial Information**"). It should be noted that such analysis is for illustrative purposes only and does not purport to represent how the financial position of the Enlarged Group will be upon Completion.

7.1 Effects on net assets

As at December 31, 2022, the Group had net assets of approximately RMB6,998.1 million. Based on the Pro Forma Financial Information, the net assets of the Enlarged Group would increase to approximately RMB7,014.8 million as at December 31, 2022, representing an increase of approximately 0.2% as compared to the net assets of the Group as at December 31, 2022.

7.2 Effects on liabilities

As at December 31, 2022, the Group had total liabilities of approximately RMB4,105.0 million. Based on the Pro Forma Financial Information, the total liabilities of the Enlarged Group would be approximately RMB7,464.7 million as at December 31, 2022, representing an increase of approximately 81.8% as compared to the total liabilities of the Group as at December 31, 2022.

7.3 Effects on cash and working capital

As at December 31, 2022, the Group had cash and cash equivalent of approximately RMB2,977.5 million and working capital of approximately RMB1,783.1 million. Based on the Pro Forma Financial Information, the cash and cash equivalent of the Enlarged Group would be approximately RMB697.9 million as at December 31, 2022, representing a decrease of approximately 76.6% as compared to that of the Group as at December 31, 2022; and the negative working capital of the Enlarged Group would be approximately RMB2,448.3 million as at December 31, 2022, representing a decrease of approximately RMB4,231.4 million as compared to that of the Group as at December 31, 2022.

As stated in Appendix I to the Circular, the Directors, after due and careful enquiries, are of the opinion that following the Completion, after taking into account the effect of the Acquisitions, the financial resources available to the Enlarged Group, including the presently available banking facilities, the internally generated funds from operations, and cash and bank balances of the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements for at least 12 months from the publication date of the Circular.

7.4 Effects on earnings

For FY2022, the Group recorded profit for the year attributable to owners of the parent of approximately RMB139.0 million. For FY2022, Liaoning CR Healthcare, Shenzhen CR Healthcare and JE Subject recorded profit attributable to owners of the parent of approximately RMB330.8 million, RMB11.5 million and RMB22.9 million, respectively. It is expected the profit for the year attributable to owners of the parent of the Enlarged Group would increase substantially by the profit contribution of Liaoning CR Healthcare, Shenzhen CR Healthcare and JE Subject upon Completion.

Based on the above analysis, we are of the view that the Acquisitions have overall positive financial effects on the Group and are in the interest of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Taking into account of the above factors and reasons, we are of the view that (i) the terms of the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) though not conducted in the ordinary and usual course of business of the Group, the Acquisitions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the Acquisitions.

Yours faithfully,
For and on behalf of
Maxa Capital Limited

Michael Fok	**Dian Deng**
Managing Director	*Managing Director*

Mr. Michael Fok is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 23 years of experience in the corporate finance industry. Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in the corporate finance industry.

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the three years ended December 31, 2020, December 31, 2021 and December 31, 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and on the website of the Company (www.crmedical.hk).

- Annual results announcement for the year ended December 31, 2022, pages 2 to 20:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0328/2023032801425.pdf

- 2021 Annual Report, pages 106 to 275:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042500485.pdf

- 2020 Annual Report, pages 101 to 259:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042701759.pdf

2. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that following the Completion, after taking into account the effect of the Acquisitions, the financial resources available to the Enlarged Group, including the presently available banking facilities, the internally generated funds from operations, and cash and bank balances of the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this Circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

3. INDEBTEDNESS STATEMENT

As at the close of business on March 31, 2023, being the most recent practicable date for the purpose of indebtedness statement of the Enlarged Group prior to the printing of this circular, the Enlarged Group had outstanding borrowings and lease liabilities of approximately RMB3,041,489,000 comprising:

(a) secured bank loans of approximately RMB40,000,000;

(b) unsecured bank loans of approximately RMB2,495,549,000;

(c) unsecured other borrowings of approximately RMB436,945,000; and

(d) leased liabilities of approximately RMB68,995,000.

As at March 31, 2023, Liaoning CR Healthcare provided a credit guarantee for Shenyang Coal General Hospital of Liaoning Health Industry Group with the balance of RMB40,000,000 with maturity date on April 24, 2025.

Save as aforesaid and apart from intra-group liabilities, as at March 31, 2023 the Enlarged Group did not have any debt securities issued and outstanding, any authorised or otherwise created but unissued, term loans, other borrowings, indebtedness in nature of borrowings including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, debentures, mortgages, charges, recognised lease liabilities, which are either guaranteed, unguaranteed, secured, or unsecured, or other material contingent liabilities or guarantees outstanding at the close of business.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Renminbi at the approximate exchange rates prevailing as at the close of business on March 31, 2023.

The Directors are not aware of any material adverse changes in the Enlarged Group's indebtedness position since March 31, 2023.

4. NO MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2022 (being the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is a listed company in the healthcare sector of CRH. Through providing advanced medical-technical services and heartwarming patient care services, with the help of high-efficiency operations under group management and achievement of sustainable development of the ecosystem, the Company commits to becoming a leading group in the medical and healthcare industry as well as a pioneer in the reform of medical institutions operated by state-owned enterprises. As a state-controlled group that focuses on medical services, the Group provides comprehensive and multi-level medical and healthcare services including clinical diagnosis and treatment, healthcare management, public health services, etc. After the completion of the Acquisitions, there will be around 149 medical institutions in 9 provinces and cities, as well as approximately 22,659 beds managed by the Group.

The Acquisitions are a good opportunity for the Group to expand medical businesses in Liaoning and Jiangxi areas while improving its market share and enhancing its leading position in the medical sector. In the future, the Group will concentrate on the development of self-owned hospitals, continue to uphold the strategic concept of "external development and internal growth", seek market opportunities actively and incubate and cultivate potential targets, achieve internal development by upgrading its operation model, and aim to become a high-quality medical services group.

Regarding the self-owned hospitals business, (1) in terms of external mergers and acquisitions, the Group will continue to focus on core regions, dig deep, incubate and cultivate high-quality acquisition targets; (2) in terms of internal growth, the Group will deepen regional integration construction, build a group of leading hospitals in the region by constructing advantageous disciplines, and lead the radiation and promote regional growth. At the same time, the Group will explore differentiated regional discipline development, establish leading disciplines, form a discipline layout that suits its own characteristics, clarify the positioning and development direction of branch hospitals, and build a leading hospital group in the region; (3) in terms of improving profitability, on the one hand, each medical institution will strengthen its discipline construction, patient services, medical quality and operational management to strengthen its professional level, service capabilities and brand influence, achieve a reasonable surplus, and on the other hand, focus on supply chain management, funds management and other areas, give full play to its advantages in professional management, and further tap the potential of group management around strategic, financial, human resources and intelligent management functions to enhance the Group's profitability level and achieve sustainable high-quality development.

With the continuing increase of the aging population and the improvement of people's living standards, the space for the PRC's medical service market will continue to maintain high-speed growth. However, it still faces challenges such as the centralized procurement of pharmaceutical consumables and medical insurance cost control. As a state-owned medical group, the Group will always serve national strategies, implement the "14th Five-Year Plan" for the development of the healthcare industry, actively participate in the supply-side structural reform of the national medical service industry, fully integrate the advantages of brand, resources, experience and team, improve the diagnosis and treatment technology capabilities, operational efficiency and service levels of the existing medical institution network, and provide high-quality medical and healthcare services to the public. The Company will also fully leverage its experience in participating in the reform of public and state-owned hospitals, expand the scale of the healthcare industry, and build a high-quality and efficient regional integrated collaborative medical system. Utilizing its platform resources, the Company will implement the CRH Health Industry Strategy, shape an example for hospital investment and operation in the PRC, and move towards an international-level medical industry platform.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA RESOURCES MEDICAL HOLDING COMPANY LIMITED

Introduction

We report on the historical financial information of China Resources Healthcare (Liaoning) Group Co., Ltd. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages 74 to 140, which comprises the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2020, 2021 and 2022, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2020, 2021 and 2022 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 74 to 140 forms an integral part of this report, which has been prepared for inclusion in the circular of China Resources Medical Holdings Company Limited (the "**Company**") dated 27 April 2023 in connection with the acquisition of 76.10% equity interests in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Group for the Relevant Periods ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *"Accountants' Reports on Historical Financial Information in Investment Circulars"* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2020, 2021 and 2022 and of the financial performance and cash flows of the Target Group for the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong

27 April 2023

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	*5*	2,782,819	3,121,942	3,141,813
Cost of sales		(2,353,251)	(2,535,222)	(2,567,451)
Gross profit		429,568	586,720	574,362
Other income and gains	*5*	71,049	50,308	51,255
Administrative expenses		(226,470)	(370,470)	(250,344)
Other expenses		(17,304)	(15,148)	(9,494)
Reversal of impairment losses/ (impairment losses) on financial assets, net		(34,878)	(995)	12,438
Impairment of non-financial assets		—	—	(529)
Finance costs	*7*	(54,115)	(27,926)	(23,751)
PROFIT BEFORE TAX	*6*	167,850	222,489	353,937
Income tax expense	*9*	(10,192)	(15,996)	(23,138)
PROFIT FOR THE YEAR		157,658	206,493	330,799

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	157,658	206,493	330,799
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain/(loss) on defined benefit plans	—	(9,160)	6,575
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	—	(9,160)	6,575
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	157,658	197,333	337,374

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*10*	1,676,043	1,656,513	1,694,112
Investment property	*12*	—	—	—
Right-of-use assets	*13(a)*	53,403	64,512	61,242
Intangible assets	*14*	31,238	36,815	43,764
Prepayments to related parties	*31*	—	5,334	3,166
Prepayments and other receivables	*17*	12,200	48,218	86,341
Total non-current assets		1,772,884	1,811,392	1,888,625
CURRENT ASSETS				
Inventories	*15*	71,172	88,206	120,286
Trade and bills receivables	*16*	346,760	385,525	537,050
Prepayments, other receivables and other assets	*17*	71,536	53,640	56,282
Amounts due from related parties	*31*	251,632	458,541	909,942
Financial assets at fair value through profit and loss ("FVTPL")	*18*	50,210	—	—
Cash and cash equivalents	*19*	575,007	610,449	39,668
Total current assets		1,366,317	1,596,361	1,663,228
CURRENT LIABILITIES				
Trade and bills payables	*20*	677,447	709,690	580,524
Other payables and accruals	*21*	726,206	707,763	813,287
Amounts due to related parties	*31*	106,995	119,108	121,881
Interest-bearing bank borrowings	*22*	478,445	418,559	177,625
Lease liabilities	*13(b)*	4,856	3,863	3,462
Tax payable		3,707	1,079	4,787
Total current liabilities		1,997,656	1,960,062	1,701,566
NET CURRENT LIABILITIES		(631,339)	(363,701)	(38,338)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,141,545	1,447,691	1,850,287

		As at 31 December		
		2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	*22*	—	—	3,600
Lease liabilities	*13(b)*	9,999	6,290	3,117
Provision	*23*	15,785	24,908	22,393
Retirement benefit obligations	*24*	256,600	348,123	317,675
Other payables and accruals	*21*	17,645	13,592	15,799
Total non-current liabilities		300,029	392,913	362,584
Net assets		841,516	1,054,778	1,487,703
EQUITY				
Share capital	*26*	2,625,960	2,641,889	2,737,242
Reserves	*27*	(1,784,444)	(1,587,111)	(1,249,539)
Total equity		841,516	1,054,778	1,487,703

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Merger reserve	Capital reserve	Actuarial changes reserve	Retained earnings/ (accumulated losses)	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(note 27)	*(note 27)*	*(note 27)*		
At 1 January 2020	2,611,709	(1,641,669)	—	—	(323,091)	646,949
Profit and total comprehensive income for the year	—	—	—	—	157,658	157,658
Capital contributions by shareholders	14,251	—	22,658	—	—	36,909
At 31 December 2020 and 1 January 2021	2,625,960	(1,641,669)*	22,658*	—*	(165,433)*#	841,516
Profit for the year	—	—	—	—	206,493	206,493
Re-measurement losses on defined benefit plans, net of tax	—	—	—	(9,160)	—	(9,160)
Total comprehensive income for the year	—	—	—	(9,160)	206,493	197,333
Capital contributions by shareholders	15,929	—	—	—	—	15,929
At 31 December 2021 and 1 January 2022	2,641,889	(1,641,669)*	22,658*	(9,160)*	41,060*#	1,054,778
Profit for the year	—	—	—	—	330,799	330,799
Other comprehensive income for the year:						
Re-measurement gains on defined benefit plans, net of tax	—	—	—	6,575	—	6,575
Total comprehensive income for the year	—	—	—	6,575	330,799	337,374
Capital contributions by shareholders	95,353	—	198	—	—	95,551
At 31 December 2022	2,737,242	(1,641,669)*	22,856*	(2,585)*	371,859*#	1,487,703

* These reserve accounts represent the total deficit of RMB1,784,444,000, RMB1,587,111,000, RMB1,249,539,000 in the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, respectively.

\# Included in the balance as at 31 December 2020, 2021 and 2022 are accumulated profits of the Target Group's consolidated not-for-profit hospitals of RMB508,383,000, RMB725,632,000 and RMB958,542,000, respectively, which are not distributable.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		167,850	222,489	353,937
Adjustments for:				
Finance costs	7	54,115	27,926	23,751
Interest income	5	(44,981)	(15,531)	(13,027)
Gain on disposal of a subsidiary	5	—	—	(2,493)
Loss on disposal of items of property, plant and equipment, net	6	1,086	1,668	1,246
Fair value gains on financial assets at FVTPL	5	(210)	(232)	—
Covid-19-related rent concessions from lessors	6	(198)	—	(70)
Depreciation of property, plant and equipment	6	129,428	132,632	140,969
Depreciation of an investment property	6	—	—	2,269
Depreciation of right-of-use assets	6	4,266	4,699	4,810
Amortisation of intangible assets	6	4,750	7,662	9,787
Impairment/(reversal of impairment) of trade receivables, net	6	29,971	257	(12,050)
Impairment/(reversal of impairment) of other receivables	6	4,907	739	(389)
Impairment losses on inventories	6	—	—	19
Impairment losses on property, plant and equipment	6	—	—	510
Provisions made	23	2,734	10,572	3,806
Net pension cost recognised	24	4,805	97,789	(3,981)
		358,523	490,670	509,094
Increase in inventories		(5,710)	(17,034)	(32,099)
Decrease/(increase) in trade and bills receivables		55,733	(39,022)	(139,851)
Decrease/(increase) in prepayments, other receivables and other assets		16,776	(8,812)	1,960
Decrease/(increase) in amounts due from related parties		(1,632)	(6,909)	101,924
Increase in amount due to related parties		48,884	12,113	2,773
Increase/(decrease) in trade and bills payables		30,256	32,243	(129,166)
Increase/(decrease) in other payables and accruals		18,760	(2,339)	106,084
Decrease in pledged deposits		10,383	—	—
Decrease in provisions		(3,996)	(1,449)	(6,321)
Decrease in retirement benefit obligations		(20,125)	(20,986)	(30,447)

		Year ended 31 December		
		2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cash generated from operations		507,852	438,475	383,951
Interest received		14,453	15,531	13,027
Income tax paid		(7,296)	(18,208)	(19,276)
Net cash flows from operating activities		515,009	435,798	377,702
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment		(149,010)	(141,243)	(226,994)
Purchase of intangible assets		(15,958)	(11,466)	(16,364)
Proceeds from disposal of items of property, plant and equipment		100	736	5,876
Acquisition of a subsidiary		—	—	470
Advance payment for acquisition of a subsidiary		—	(35,277)	—
Purchase of financial assets at FVTPL and amortised cost		(50,000)	—	—
Increase in amounts due from related parties		(250,000)	(205,334)	(455,441)
Proceeds from disposal of financial assets at FVTPL		50,425	50,442	—
Receipt of loan repayments from Original Shareholders		1,036,479	25,553	—
Disposal of a subsidiary		—	—	(331)
Net cash flows from/(used in) investing activities		622,036	(316,589)	(692,784)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		598,740	419,810	182,075
Repayment of bank loans		(1,339,456)	(479,432)	(419,810)
Interests paid		(46,271)	(19,564)	(12,920)
Principal portion of lease payments		(144,862)	(4,581)	(5,044)
Payment of consideration for acquisition to the parent company		(2,352,303)	—	—
Increase in amounts due from related companies		2,352,303	—	—
Net cash flows used in financing activities		(931,849)	(83,767)	(255,699)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		205,196	35,442	(570,781)
Cash and cash equivalents at beginning of year		369,811	575,007	610,449
CASH AND CASH EQUIVALENTS AT END OF YEAR		575,007	610,449	39,668

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Prepayments and other receivables	*17*	—	35,277	35,277
Investments in subsidiaries		668,246	684,175	779,726
Total non-current assets		668,246	719,452	815,003
CURRENT ASSETS				
Prepayments, other receivables and other assets	*17*	—	484	337
Cash and cash equivalents		2,674	3,024	65
Total current assets		2,674	3,508	402
CURRENT LIABILITIES				
Other payables and accruals		990	830	809
Amounts due to related parties	*31*	—	30,000	28,000
Tax payable		284	—	—
Total current liabilities		1,274	30,830	28,809
NET CURRENT ASSETS/ (LIABILITIES)		1,400	(27,322)	(28,407)
TOTAL ASSETS LESS CURRENT LIABILITIES		669,646	692,130	786,596
NON-CURRENT LIABILITIES				
Other payables and accruals		2,000	2,000	—
Total non-current liabilities		2,000	2,000	—
Net assets		667,646	690,130	786,596
EQUITY				
Share capital	*26*	2,625,960	2,641,888	2,737,242
Reserves	*27*	(1,958,314)	(1,951,758)	(1,950,646)
Total equity		667,646	690,130	786,596

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in People's Republic of China (the "PRC"). The registered office of the Target Company is located at No. 69, Shenfu Road, Shenfu New District, Liaoning Province, PRC.

On 23 August 2022, the name of the Target Company was changed from "China Resources Liaoning Healthcare Industry Investment Group Co., Limited" ("**華潤遼寧健康產業投資集團有限公司**") to "China Resources Healthcare (Liaoning) Group Co., Ltd." ("**華潤健康(遼寧)集團有限公司**").

The Target Company is an investment holding company. During the Relevant Periods, the Target Group was involved in the following principal activities:

- provision of general healthcare services; and
- provision of real estate rental services

The Target Company is a subsidiary of LR Management Company Limited ("**LR Management**"), a company incorporated in Hong Kong. In the opinion of the directors, the ultimate holding company is China Resources Company Limited, a state-owned enterprise established in the PRC.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies or non-profit hospitals, the particulars of which are set out below:

Name	Notes	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Liaoning Healthcare Industry Group Co., Limited ("**Liaoning Healthcare**") ("**遼寧省健康產業集團有限公司**")*	(i)	PRC/Mainland China	RMB3,090,962,200	100%	—	Hospital management
Liaoning Healthcare Industry Group Fukuang General Hospital ("**遼寧省健康產業集團撫礦總醫院**")*#	(i)	PRC/Mainland China	RMB595,780,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Fukuang Naoke Hospital ("**遼寧省健康產業集團撫礦腦科醫院**")*#	(i)	PRC/Mainland China	RMB28,460,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Fukuang Jixiu Hospital ("**遼寧省健康產業集團撫礦機修醫院**")*#	(i)	PRC/Mainland China	RMB6,630,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Fukuang Shengli Hospital ("**遼寧省健康產業集團撫礦勝利醫院**")*#	(i)	PRC/Mainland China	RMB4,060,000	—	100%	Provision of general healthcare services

Name	Notes	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Liaoning Healthcare Industry Group Fukuang Laohutai Hospital (“遼寧省健康產業集團撫礦老虎台醫院”)*#	(i)	PRC/Mainland China	RMB18,170,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Fukuang Xilutian Hospital (“遼寧省健康產業集團撫礦西露天醫院”)*#	(i)	PRC/Mainland China	RMB20,150,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Bengang General Hospital (“遼寧省健康產業集團本鋼總醫院”)*#	(i)	PRC/Mainland China	RMB584,350,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Bengang Nanfen Hospital (“遼寧省健康產業集團本鋼南芬醫院”)*#	(i)	PRC/Mainland China	RMB14,550,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Bengang Xiongke Hospital (“遼寧省健康產業集團本鋼胸科醫院”)*#	(ii)	PRC/Mainland China	RMB16,010,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Bengang Waitoushan Hospital (“遼寧省健康產業集團本鋼歪頭山醫院”)*#	(ii)	PRC/Mainland China	RMB5,450,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Bengang Centre for Disease Control and Prevention (“遼寧省健康產業集團本鋼疾病預防控制中心”)*#	(i)	PRC/Mainland China	RMB2,120,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Bengang Nandi Hospital (“遼寧省健康產業集團本鋼南地醫院”)*#	(i)	PRC/Mainland China	RMB14,980,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Bengang Beiying Hospital (“遼寧省健康產業集團本鋼北營醫院”)*#	(i)	PRC/Mainland China	RMB24,480,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Tiemei General Hospital (“遼寧省健康產業集團鐵煤總醫院”)*#	(i)	PRC/Mainland China	RMB541,770,000	—	100%	Provision of general healthcare services

Name	Notes	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Liaoning Healthcare Industry Group Shenmei General Hospital (“遼寧省健康產業集團沈煤總醫院”)*#	(i)	PRC/Mainland China	RMB15,180,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Shenmei Xima Mining Hospital (“遼寧省健康產業集團沈煤西馬礦醫院”)*#	(i)	PRC/Mainland China	RMB4,800,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Shenmei Qiantun mining Hospital (“遼寧省健康產業集團沈煤前屯礦醫院”)*#	(ii)	PRC/Mainland China	RMB1,220,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Shenmei Linsheng Mining Hospital (“遼寧省健康產業集團沈煤林盛礦醫院”)*#	(i)	PRC/Mainland China	RMB2,860,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Shenmei Hongyang third Mining Hospital (“遼寧省健康產業集團沈煤紅陽三礦醫院”)*#	(i)	PRC/Mainland China	RMB10,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Shenmei Qingshui Erjing Hospital (“遼寧省健康產業集團沈煤清水二井醫院”)*#	(i)	PRC/Mainland China	RMB880,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Shenmei Hongling Mining Hospital (“遼寧省健康產業集團沈煤紅菱礦醫院”)*#	(i)	PRC/Mainland China	RMB2,230,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Fuxing Mining General Hospital (“遼寧省健康產業集團阜新礦總醫院”)*#	(i)	PRC/Mainland China	RMB534,088,900	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Fuxing Mining Chengnan Hospital (“遼寧省健康產業集團阜新礦城南醫院”)*#	(i)	PRC/Mainland China	RMB13,247,100	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Fuxing Mining Jingshen Kangfu Hospital (“遼寧省健康產業集團阜新礦精神康復醫院”)*#	(i)	PRC/Mainland China	RMB5,920,000	—	100%	Provision of general healthcare services

Name	Notes	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Liaoning Healthcare Industry Group Fuxing Mining Ping'an Hospital ("遼寧省健康產業集團阜新礦平安醫院")*#	(i)	PRC/Mainland China	RMB45,301,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Fuxing Mining Prevention and treatment of occupational diseases Hospital ("遼寧省健康產業集團阜新礦職業病防治院")*#	(i)	PRC/Mainland China	RMB5,160,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Nuclear Industry General Hospital ("遼寧省健康產業集團核工業總醫院")*#	(i)	PRC/Mainland China	RMB47,840,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group 157 Hospital ("遼寧省健康產業集團一五七醫院")*#	(i)	PRC/Mainland China	RMB15,680,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Huachen Hospital ("遼寧省健康產業集團華晨醫院")*#	(i)	PRC/Mainland China	RMB4,680,000	—	100%	Provision of general healthcare services
Liaoning Healthcare Industry Group Shenfu Rehabilitation Medical Center ("遼寧省健康產業集團沈撫康復醫療中心")*#	(iii)	PRC/Mainland China	RMB300,000	—	100%	Provision of general healthcare services

* The names of these companies referred to in this report represent management's best effort in translating the Chinese names of the companies registered in Mainland China, as no English names have been registered.

\# Non-profit hospitals cannot be registered as companies under PRC law. The sponsor of a non-profit hospital has the obligation to inject start-up funds into such institutions. Once the start-up funds are injected, the sponsor cannot withdraw them. Due to the charitable nature of non-profit hospitals, the legal income of such hospitals can only be used for proposed purposes within the scope of their business and, when used, is subject to the articles of association of such hospitals. Therefore, net income cannot be distributed as dividends to its sponsors, unlike shareholders who own equity in the company.

(i) Statutory financial statements of these entities for the years ended 31 December 2020 and 2021 prepared under PRC Generally Accepted Accounting Principles ("**PRC GAAP**") were audited by Ernst & Young Hua Ming LLP, certified public accountants registered in the PRC.

(ii) No audited financial statements have been prepared for these entities for the years ended 31 December 2020 and 2021.

(iii) The entity was incorporated in 2021 and did not start its operation until 2022. No audited financial statements have been prepared for the entity for the year ended 31 December 2021.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared on the going concern basis, notwithstanding that the Target Group had net current liabilities at the end of each of the Relevant Periods, as China Resources Healthcare Group Limited ("**CRHG**") has agreed to provide adequate funds for the Target Group to maintain it as a going concern for the foreseeable future.

The Historical Financial Information has been prepared under the historical cost convention, except for the financial assets at FVTPL, which have been measured at fair value.

2.2 BASIS OF CONSOLIDATION

The Historical Financial Information include the financial statements of the Target Company and its subsidiaries for the years ended 31 December 2020, 2021 and 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 4]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

5 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Further information about those IFRSs that are expected to be applicable to the Target Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the Relevant Periods. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the Relevant Periods. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Target Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Target Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Target Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual Relevant Periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual Relevant Periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill or asset acquisitions

Optional concentration test

The Target Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Target Group acquires a group of assets and liabilities that do not constitute a business, the Target Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price based on their relative fair values at the date of the acquisition. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations other than common control combinations

Business combinations other than common control combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Target Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

Fair value measurement

The Target Group measures its financial assets at FVTPL at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statements of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each Relevant Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.94%–12.13%
Medical equipment	9.70%–19.40%
Motor vehicles	9.70%
Office equipment	19.40%
Freehold land	Not depreciated

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in a building held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are stated at cost less accumulated depreciation and any impairment loss.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.94%

Any gains or losses on the retirement or disposal of an investment property are recognised in the statements of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Leases

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Target Group as a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1 to 5 years
Medical equipment	3 to 10 years
Leasehold land	50 years

If ownership of the leased asset transfers to the Target Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

(c) Short-term leases

The Target Group applies the short-term lease recognition exemption to its short-term leases of buildings and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Target Group as a lessor

When the Target Group acts as a lessor, it classifies at lease inception each of its leases as either an operating lease or a finance lease.

Leases in which the Target Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Target Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statements of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for excepted credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables and which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of certain medical consumables is determined using the individual valuation method, and the cost of other inventories is determined using the weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Relevant Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each Relevant Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Relevant Period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statements of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statements of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Target Group's revenue is primarily derived from providing in-patient services and out-patient services.

(a) In-patient services

Revenue from the provision of in-patient services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Target Group.

(b) Out-patient services

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

(c) Other services

Revenue from the provision of other services is recognised at a point in time when the services are provided.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease term.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The employees of the Target Group are required to participate in a central pension scheme operated by the local municipal government. The Target Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Housing fund and other social insurances

The Target Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Target Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Target Group has no further obligations beyond the contributions made.

Termination benefits

Termination benefits are recognised at the earlier of when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs involving the payment of termination benefits.

Defined benefit plan

The Target Group operates a defined benefit pension plan. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statements of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Target Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Target Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statements of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense or income

Borrowing costs

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Control over the hospitals under the sponsorship rights and service agreements

The Target Group acquired the sponsorship rights from other parties and became the sponsor of certain not-for profit hospitals. The Target Group also entered into a series of service agreements with those not-for-profit hospitals in which the Target Group agrees to provide management services to the hospitals and receive management fees. The hospital management fees were based on certain percentages of the revenue and net income before tax (收支結餘) generated by the hospitals.

Management assessed whether or not the Target Group has control over these not-for-profit hospitals through the sponsorship rights and service agreements based on whether the Target Group has the practical ability to direct the hospitals' relevant activities unilaterally. In making their judgement, management considered the composition of the internal governance bodies and also certain committees which oversee the operations of the hospitals. After assessment, management concluded that the Target Group obtains the decision-making power under their sponsorship rights to direct the relevant activities of the hospitals, so the Target Group could control and thus consolidate those hospitals. These service agreements are considered to have the ability to generate variable returns through control.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Target Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each Relevant Period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables and other receivables

The impairment provisions for trade receivables and other receivables are based on assumptions about expected credit losses. The Target Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Target Group's historical experience and forward-looking information at the end of each Relevant Period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details of the trade receivables and other receivables are given in notes 16 and note 17 to the Historical Financial Information, respectively.

4. OPERATING SEGMENT INFORMATION

The Target Group is principally engaged in the provision of general healthcare services and real estate rental services. More than 90% of the Target Group's revenue, which was derived from general healthcare services, is managed in a unified and centralised manner by management. Therefore, the Target Group has only one operating segment. Management monitors the results of Target Group's operation as a whole for the purpose of making decisions about resource allocation and performance assessment, and accordingly no further operating segment analysis thereof is presented.

Geographical information

As the Target Group's major operations, customers and non-current assets are located in the PRC, no further geographical segment information is provided.

Information about major customers

No revenue from a single customer individually accounted for 10% or more of the Target Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	2,781,482	3,120,064	3,137,682
Revenue from other sources			
Gross rental income from operating leases of buildings	1,337	1,878	4,131
	2,782,819	3,121,942	3,141,813

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
General healthcare services:			
In-patient	1,660,244	1,826,322	1,804,810
Out-patient	1,118,523	1,291,723	1,328,808
Others	2,715	2,019	4,064
Total revenue from contracts with customers	2,781,482	3,120,064	3,137,682
Timing of revenue recognition			
Services transferred at a point in time	1,121,238	1,293,742	1,332,872
Services transferred over time	1,660,244	1,826,322	1,804,810
Total revenue from contracts with customers	2,781,482	3,120,064	3,137,682

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the Relevant Periods:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the respective years:			
Provision of general healthcare services	54,504	62,544	50,799

(b) Performance obligations

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

In-patient services

For in-patient services, customers normally receive in-patient treatment which contains various treatment components that are all highly interdependent and regarded as a single performance obligation. Since the patient simultaneously receives and consumes the benefits of the Target 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 Target Group to the customer.

Out-patient services

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

Other services

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other income and gains			
Bank interest income	15,855	14,860	12,431
Interest income from a fellow subsidiary	—	—	596
Interest income from loans to the then shareholders of Liaoning Healthcare ("**Original Shareholders**")	29,126	671	—
Government grants	13,235	28,577	27,424
Fair value gains on financial assets at FVTPL, net	210	232	—
Debt restructuring gain	8,494	3,139	2,901
Insurance indemnity	131	1,212	459
Gain on disposal of a subsidiary	—	—	2,493
Others	3,998	1,617	4,951
	71,049	50,308	51,255

6. PROFIT BEFORE TAX

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	1,247,382	1,354,226	1,263,793
Cost of services provided	170,993	181,808	208,174
Depreciation of property, plant and equipment	129,428	132,632	140,969
Depreciation of an investment property	—	—	2,269
Depreciation of right-of-use assets	4,266	4,699	4,810
Amortisation of intangible assets	4,750	7,662	9,787
Lease payments not included in the measurement of lease liabilities	873	598	421
Covid-19-related rent concessions from lessors	(198)	—	(70)
Auditor's remuneration	2,200	2,200	1,530
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries	847,885	938,341	985,113
Pension scheme contributions# (defined contribution scheme)	95,653	106,745	117,464
Pension scheme contributions# (defined benefit scheme)	13,495	106,169	6,349
	957,033	1,151,255	1,108,926
Impairment/(reversal of impairment) of trade receivables, net*	29,971	257	(12,050)
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets, net*	4,907	739	(389)
Impairment losses on inventories	—	—	19
Impairment losses on property, plant and equipment	—	—	510
Loss on disposal of items of property, plant and equipment, net	1,086	1,668	1,246

* Included in impairment losses on financial assets, net on the face of the consolidated statements of profit or loss.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings	32,361	18,582	12,849
Interest on lease liabilities *(note 13(b))*	12,828	718	472
Interest on defined benefit obligations *(note 24)*	8,690	8,380	10,330
Others	236	246	100
	54,115	27,926	23,751

8. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,566	1,501	756
Performance-related bonuses	2,978	—	2,689
Pension scheme contributions	196	31	15
	4,740	1,532	3,460

9. INCOME TAX

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the respective jurisdictions in which members of the Target Group are domiciled and operate.

Pursuant to the relevant laws and regulations in the PRC, the statutory corporate income tax rate of 25% was applied to the Target Group during the Relevant Periods.

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current — Mainland China			
Charge for the year	10,192	15,754	23,298
Underprovision/(overprovision) in prior years	—	242	(160)
Total tax charge for the year	10,192	15,996	23,138

A reconciliation of the tax expenses applicable to profit/(loss) before tax at the applicable tax rates for the jurisdictions in which the Target Company and the majority of its subsidiaries are domiciled to the tax expenses at the effective tax rates, is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	167,850	222,489	353,937
Tax at the statutory tax rate of 25%	41,962	55,622	88,484
Adjustments in respect of current tax of previous years	—	242	(160)
Income not subject to tax	(44,450)	(60,194)	(64,374)
Expenses not deductible for tax	11,524	20,613	1,125
Tax losses utilised	(1,314)	—	—
Deductible temporary differences not recognised/ (utilised)	2,470	(287)	(1,937)
Tax charge at the Target Group's effective rate	10,192	15,996	23,138

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Deductible temporary differences	10,041	8,893	1,145

No deferred tax asset was recognised in respect of the above deductible temporary differences as it is not considered probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

10. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2020

	Freehold land *RMB'000*	Buildings *RMB'000*	Medical equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2020:							
Cost	63,593	1,605,090	1,293,159	31,245	181,930	6,087	3,181,104
Accumulated depreciation and impairment	—	(506,132)	(887,425)	(21,950)	(133,429)	—	(1,548,936)
Net carrying amount	63,593	1,098,958	405,734	9,295	48,501	6,087	1,632,168
At 1 January 2020, net of accumulated depreciation and impairment	63,593	1,098,958	405,734	9,295	48,501	6,087	1,632,168
Additions	—	5,116	51,225	1,431	39,570	19,520	116,862
Disposals	—	—	(1,109)	(46)	(31)	—	(1,186)
Depreciation provided during the year	—	(33,667)	(79,376)	(1,458)	(14,927)	—	(129,428)
Transfers from right-of-use assets	—	43,927	10,558	—	3,142	—	57,627
Transfers	—	1,361	17,047	—	215	(18,623)	—
At 31 December 2020, net of accumulated depreciation and impairment	63,593	1,115,695	404,079	9,222	76,470	6,984	1,676,043
At 31 December 2020:							
Cost	63,593	1,679,300	1,434,366	30,774	262,683	6,984	3,477,700
Accumulated depreciation and impairment	—	(563,605)	(1,030,287)	(21,552)	(186,213)	—	(1,801,657)
Net carrying amount	63,593	1,115,695	404,079	9,222	76,470	6,984	1,676,043

As at 31 December 2021

	Freehold land	Buildings	Medical equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021:							
Cost	63,593	1,679,300	1,434,366	30,774	262,683	6,984	3,477,700
Accumulated depreciation and impairment	—	(563,605)	(1,030,287)	(21,552)	(186,213)	—	(1,801,657)
Net carrying amount	63,593	1,115,695	404,079	9,222	76,470	6,984	1,676,043
At 1 January 2021, net of accumulated depreciation and impairment	63,593	1,115,695	404,079	9,222	76,470	6,984	1,676,043
Additions	—	10,004	67,673	2,118	22,922	12,789	115,506
Disposals	—	(805)	(1,435)	(25)	(139)	—	(2,404)
Depreciation provided during the year	—	(34,283)	(79,009)	(1,628)	(17,712)	—	(132,632)
Transfers	—	7,720	3,892	114	134	(11,860)	—
At 31 December 2021, net of accumulated depreciation and impairment	63,593	1,098,331	395,200	9,801	81,675	7,913	1,656,513
At 31 December 2021:							
Cost	63,593	1,691,710	1,470,471	31,193	282,643	7,913	3,547,523
Accumulated depreciation and impairment	—	(593,379)	(1,075,271)	(21,392)	(200,968)	—	(1,891,010)
Net carrying amount	63,593	1,098,331	395,200	9,801	81,675	7,913	1,656,513

As at 31 December 2022

	Freehold land RMB'000	Buildings RMB'000	Medical equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022:							
Cost	63,593	1,691,710	1,470,471	31,193	282,643	7,913	3,547,523
Accumulated depreciation and impairment	—	(593,379)	(1,075,271)	(21,392)	(200,968)	—	(1,891,010)
Net carrying amount	63,593	1,098,331	395,200	9,801	81,675	7,913	1,656,513
At 1 January 2022, net of accumulated depreciation and impairment	63,593	1,098,331	395,200	9,801	81,675	7,913	1,656,513
Additions	—	7,503	117,375	1,730	40,436	19,012	186,056
Disposals	—	(760)	(6,141)	(13)	(208)	—	(7,122)
Impairment	—	—	—	—	—	(510)	(510)
Depreciation provided during the year	—	(35,079)	(82,569)	(1,680)	(21,641)	—	(140,969)
Acquisition of a subsidiary	—	—	—	189	116	—	305
Disposal of a subsidiary	—	—	—	(99)	(23)	(39)	(161)
Transfer	—	4,762	16,280	—	—	(21,042)	—
At 31 December 2022, net of accumulated depreciation and impairment	63,593	1,074,757	440,145	9,928	100,355	5,334	1,694,112
At 31 December 2022:							
Cost	63,593	1,702,833	1,563,228	32,619	318,924	5,334	3,686,531
Accumulated depreciation and impairment	—	(628,076)	(1,123,083)	(22,691)	(218,569)	—	(1,992,419)
Net carrying amount	63,593	1,074,757	440,145	9,928	100,355	5,334	1,694,112

Freehold land held by the Target Group is with indefinite useful life. The land is not depreciated, but is tested for impairment annually, either individually or at the cash-generating unit level. The net carrying amounts of land and buildings without property certificates were approximately RMB1,030,075,000, RMB998,313,000, RMB968,575,000 as at 31 December 2020, 2021 and 2022, respectively.

Some hospital's buildings comprise a portion that is held to earn rentals and another portion is held for providing general healthcare services. All of the aforementioned buildings are recognised as property, plant and equipment instead of investment properties because only an insignificant portion is held to earn rentals.

In 2022, an impairment loss of RMB510,000 represented the full write-down of certain construction in progress due to a termination of long-term sewage treatment program, which is approved from the Directors of the Target Group.

11. DIVIDENDS

No dividend was paid or declared by the Target Company during the Relevant Periods.

12. INVESTMENT PROPERTY

	RMB'000
At 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021 and 1 January 2022	—
Acquisition of a subsidiary	95,402
Depreciation provided during the period	(2,269)
Disposal of a subsidiary	(93,133)
At 31 December 2022, net of accumulated depreciation	—
At 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	
Cost	—
Accumulated depreciation	—
Net carrying amount	—

The Target Group's investment property is a commercial property located in the PRC, which was acquired in May 2022 through an acquisition of a subsidiary. Details of the acquisition and disposal were disclosed in note 28(a) to the Historical Financial Information.

The investment property is leased to third parties under operating leases, further summary details of which are included in note 13 to the Historical Financial Information.

13. LEASES

The Target Group as a lessee

The Target Group has lease contracts for various items of buildings, medical equipment, office equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of these assets generally have lease terms ranging from 2 to 50 years with no extension and termination options and all the lease payments are fixed.

(a) Right-of-use assets

The carrying amounts of the Target Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold land *RMB'000*	Buildings *RMB'000*	Medical equipment *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
At 1 January 2020	—	46,096	20,577	294	66,967
Additions	36,835	21	11,473	—	48,329
Depreciation charge	(737)	(1,095)	(2,434)	—	(4,266)
Transfer to property, plant and equipment	—	(43,926)	(13,407)	(294)	(57,627)
At 31 December 2020 and 1 January 2021	36,098	1,096	16,209	—	53,403
Additions	15,929	—	315	—	16,244
Depreciation charge	(763)	(1,096)	(2,840)	—	(4,699)
Lease modification	—	—	(436)	—	(436)
At 31 December 2021 and 1 January 2022	51,264	—	13,248	—	64,512
Additions	—	1,540	—	—	1,540
Depreciation charge	(869)	(1,087)	(2,854)	—	(4,810)
At 31 December 2022	50,395	453	10,394	—	61,242

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount as at the beginning of the year	148,421	14,855	10,153
New leases	11,494	315	1,540
Accretion of interest recognised during the year	12,828	718	472
Payments	(157,690)	(5,299)	(5,516)
Covid-19-related rent concessions from lessors	(198)	—	(70)
Lease modification	—	(436)	—
Carrying amount as at the end of the year	14,855	10,153	6,579
Analysed into:			
Current portion	4,856	3,863	3,462
Non-current portion	9,999	6,290	3,117

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	12,828	718	472
Depreciation charge of right-of-use assets	4,266	4,699	4,810
Covid-19-related rent concessions from lessors	(198)	—	(70)
Expense relating to short-term leases	873	598	421
Total amount recognised in profit or loss	17,769	6,015	5,633

The Target Group as a lessor

The Target Group leases its investment property (note 12) and certain buildings under operating lease arrangements. Rental income recognised by the Target Group during the Relevant Periods is included in note 5 to the Historical Financial Information. At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Target Group in future periods under non-cancellable operating leases with its tenants are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	401	401	743
After one year but within two years	401	401	380
After two years but within three years	401	200	260
After three years but within four years	200	—	260
	1,403	1,002	1,643

14. INTANGIBLE ASSETS

	Software
	RMB'000
As at 31 December 2020	
At 1 January 2020:	
Cost	39,488
Accumulated amortisation	(17,041)
Net carrying amount	22,447
At 1 January 2020, net of accumulated amortisation	22,447
Additions	13,541
Amortisation provided during the year	(4,750)
At 31 December 2020, net of accumulated amortisation	31,238
At 31 December 2020:	
Cost	53,029
Accumulated amortisation	(21,791)
Net carrying amount	31,238

	Software
	RMB'000
As at 31 December 2021	
At 1 January 2021:	
Cost	53,029
Accumulated amortisation	(21,791)
Net carrying amount	31,238
At 1 January 2021, net of accumulated amortisation	31,238
Additions	13,239
Amortisation provided during the year	(7,662)
At 31 December 2021, net of accumulated amortisation	36,815
At 31 December 2021:	
Cost	66,268
Accumulated amortisation	(29,453)
Net carrying amount	36,815
As at 31 December 2022	
At 1 January 2022:	
Cost	66,268
Accumulated amortisation	(29,453)
Net carrying amount	36,815
At 1 January 2022, net of accumulated amortisation	36,815
Additions	16,736
Amortisation provided during the year	(9,787)
At 31 December 2022, net of accumulated amortisation	43,764
At 31 December 2022:	
Cost	83,004
Accumulated amortisation	(39,240)
Net carrying amount	43,764

15. INVENTORIES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Pharmaceuticals	54,648	70,837	96,005
Medical devices and medical consumables	16,524	17,369	24,281
	71,172	88,206	120,286

During 2022, an amount of RMB19,000 was recognised as an write-down of inventories to net realisable value and included in impairment of non-financial assets.

16. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	579,767	621,717	766,472
Bills receivable	15,088	12,160	5,978
	594,855	633,877	772,450
Impairment	(248,095)	(248,352)	(235,400)
	346,760	385,525	537,050

The Target Group's trading terms with its customers are mainly on credit, except for in-patient services provided to the public individual members, where payment in advance is normally required. The credit periods for general healthcare services are undefined in the contract with government healthcare institution. The credit periods for other services, are generally ranging from 30 days to 120 days for major customers. The Target 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. In view of the aforementioned and the fact that the Target Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the Target Group's trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	346,760	385,525	533,570
1 to 2 years	—	—	3,480
	346,760	385,525	537,050

The movements in provision for impairment of trade and bills receivables are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	219,924	248,095	248,352
Impairment losses recognised/(reversed), net *(note 6)*	29,971	257	(12,050)
Disposal of a subsidiary	—	—	(258)
Amount written off as uncollectible	(1,800)	—	(644)
At the end of the year	248,095	248,352	235,400

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Target Group's trade and bills receivables using a provision matrix, based on past due dates:

As at 31 December 2020

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.23%	100.00%	100.00%	100.00%	41.71%
Gross carrying amount *(RMB'000)*	351,066	30,916	16,763	196,110	594,855
Expected credit losses *(RMB'000)*	4,306	30,916	16,763	196,110	248,095

As at 31 December 2021

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.76%	100.00%	100.00%	100.00%	39.18%
Gross carrying amount *(RMB'000)*	388,467	4,428	28,234	212,748	633,877
Expected credit losses *(RMB'000)*	2,942	4,428	28,234	212,748	248,352

As at 31 December 2022

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.01%	0.00%	100.00%	100.00%	30.47%
Gross carrying amount *(RMB'000)*	537,077	—	3,463	231,910	772,450
Expected credit losses *(RMB'000)*	27	—	3,463	231,910	235,400

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Target Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Included in current assets			
Prepayments	4,824	6,529	2,255
Deposits	3,062	2,784	2,782
Other receivables	34,462	40,598	46,484
Amounts due from the Original Shareholders	41,841	16,288	16,288
	84,189	66,199	67,809
Impairment allowance	(12,653)	(12,559)	(11,527)
	71,536	53,640	56,282
Included in non-current assets			
Prepayments for property, plant and equipment	2,145	2,886	41,009
Prepayments for an acquisition *(note 30)*	—	35,277	35,277
Other receivables	10,055	10,055	10,055
	12,200	48,218	86,341

At 31 December 2020, included in an amount due from the Original Shareholders are loans to the Original Shareholders with the amounts of RMB25,339,000, which were unsecured, bore interest at rates from 3.75% to 5.19%. The remaining balances due from the Original Shareholders are unsecured, interest-free and repayable on demand.

The financial assets included in the above balances relate to deposits, other receivables and amount due from Original Shareholders for which there was no recent history of default. Where applicable, an impairment analysis is performed at each reporting date by applying a loss rate approach with reference to the historical loss record of the Target Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate, the loss rate applied as at 31 December 2020, 31 December 2021 and 31 December 2022 was 15.03%, 18.97% and 17.00%, respectively.

The movements in provision for impairment of financial assets included in prepayment, other receivables and other assets are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	8,000	12,653	12,559
Impairment losses recognised/(reversed), net *(note 6)*	4,907	739	(389)
Amount written off as uncollectible	(254)	(833)	(643)
At the end of the year	12,653	12,559	11,527

Target Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Included in current assets			
Prepayments	—	—	11
Other receivables	—	250	326
	—	250	337
Impairment allowance	—	—	—
	—	250	337
Included in non-current assets			
Prepayments for an acquisition	—	35,277	35,277

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	50,210	—	—

The structured deposits were operated by banks in Mainland China, with expected annual return ranging from 1.50% to 3.08% per annum as at 31 December 2020.

19. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	575,007	610,449	39,668

At 31 December 2020, 2021 and 2022, the cash and bank balances of the Target Group were denominated in RMB. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

20. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	531,252	558,621	497,813
1 to 2 years	83,862	49,968	32,082
2 to 3 years	43,910	80,030	34,165
Over 3 years	18,423	21,071	16,464
	677,447	709,690	580,524

The trade and bills payables are non-interest-bearing and are normally settled on terms within one year.

21. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salary and welfare	206,034	232,791	245,618
Payables for purchases of property, plant and equipment	113,602	90,379	94,109
Other PRC taxes payables	3,640	2,931	2,922
Deferred revenue	17,645	13,592	15,799
Retirement benefit obligations *(note 24)*	12,940	15,760	15,535
Contract liabilities *(note(a))*	62,544	50,799	70,021
Other payables *(note(b))*	327,446	315,103	385,082
	743,851	721,355	829,086
Less: Portion classified as non-current liabilities	17,645	13,592	15,799
Portion classified as current liabilities	726,206	707,763	813,287

Note:

(a) Details of contract liabilities are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
General healthcare services	62,544	50,799	70,021

(b) Other payables are non-interest-bearing.

22. INTEREST-BEARING BANK BORROWINGS

	As at 31 December								
	2020			**2021**			**2022**		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank loans-unsecured	3.30–3.75	2021	418,808	3.50–3.75	2022	376,465	3.50	2023	137,580
Bank loans-guaranteed	3.70	2021	42,094	3.65	2022	42,094	3.65	2023	40,045
Current portion of long-term bank loans-guaranteed	5.19	2021	17,543	—	—	—	—	—	—
			478,445			418,559			177,625
Non-current									
Long-term bank loans-unsecured	—	—	—	—	—	—	2.50	2024	3,600
			478,445			418,559			181,225

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year	478,445	418,559	177,625
In the second year	—	—	3,600
	478,445	418,559	181,225

Notes:

(a) All borrowings are denominated in RMB.

(b) As at 31 December 2020, RMB17,543,000 and RMB42,094,000 were guaranteed by the Original Shareholders and the other subsidiary of the Target Group, respectively. As at 31 December 2021 and 2022, the guarantee of RMB42,094,000 and RMB40,045,000 were provided by the other subsidiary of the Target Group and the Target Company, respectively.

23. PROVISION

	Pending lawsuits
	RMB'000
At 1 January 2020	17,047
Additional provision	2,734
Amounts utilised during the year	(3,996)
At 31 December 2020 and 1 January 2021	15,785
Additional provision	10,572
Amounts utilised during the year	(1,449)
At 31 December 2021 and 1 January 2022	24,908
Additional provision	3,806
Amounts utilised during the year	(6,321)
At 31 December 2022	22,393
Portion classified as non-current liabilities	
At 31 December 2020	15,785
At 31 December 2021	24,908
At 31 December 2022	22,393

Pending lawsuits included in the provision were all claims of medical lawsuits arising from the provision of medical services by the non-profit hospital in the Target Group.

24. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit plans

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Net defined benefit liability	258,570	354,809	327,009
Long-term termination benefits	10,970	9,074	6,201
	269,540	363,883	333,210
Less: Amounts due within 12 months included in other payables *(note 21)*	(12,940)	(15,760)	(15,535)
Amounts due after 12 months	256,600	348,123	317,675

The plan exposes the Target Group to the risk of changes in the life expectancy for the pensioners.

Movements in total estimated benefit payable are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	276,170	269,540	363,883
Current service cost	655	619	693
Past service cost	3,530	96,950	(4,380)
Interest cost	8,690	8,380	10,330
Remeasurement losses/(gains) in other comprehensive income	—	9,160	(6,575)
Remeasurement losses in the consolidated statements of profit or loss	620	220	(294)
Benefit paid	(20,125)	(20,986)	(30,447)
At the end of the year	269,540	363,883	333,210

The remeasurement of the defined benefit obligations mainly represents actuarial losses arising from changes in demographic assumptions, financial assumptions and experiences adjustments.

The most recent actuarial valuations of the defined benefit obligations were carried out at the end of each of the Relevant Periods by Willis Towers Watson using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used in determine pension and long-term termination benefit obligations for the Target Group's plan as at the end of the each of the Relevant Periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
Discount rate	3.00%–3.25%	2.50%–3.00%	2.50%–3.00%
Expected rate of medical expenses increases	6%	6%	6%
Life expectation	86–90 years	87–90 years	88–90 years

A quantitative sensitivity analysis for significant assumptions as at the end of the each of the Relevant Periods is shown below:

31 December 2020

	Increase in rate/year	Increase/ (decrease) in defined benefit obligations *RMB'000*	Decrease in rate/year	Increase/ (decrease) in defined benefit obligations *RMB'000*
Discount rate	0.25%	(6,470)	0.25%	6,770
Expected rate of medical expenses increases	1.00%	3,440	1.00%	(2,920)
Life expectation	1 year	8,530	1 year	(8,630)

31 December 2021

	Increase in rate/year	Increase/ (decrease) in defined benefit obligations *RMB'000*	Decrease in rate/year	Increase/ (decrease) in defined benefit obligations *RMB'000*
Discount rate	0.25%	(9,250)	0.25%	9,630
Expected rate of medical expenses increases	1.00%	3,680	1.00%	(3,070)
Life expectation	1 year	11,380	1 year	(11,420)

31 December 2022

	Increase in rate/year	Increase/ (decrease) in defined benefit obligations *RMB'000*	Decrease in rate/year	Increase/ (decrease) in defined benefit obligations *RMB'000*
Discount rate	0.25%	(8,390)	0.25%	8,784
Expected rate of medical expenses increases	1.00%	2,133	1.00%	(1,788)
Life expectation	1 year	10,545	1 year	(10,566)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the each of the Relevant Periods. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

As at 31 December 2020, 2021 and 2022, the Target Group expected to make payments of RMB12,940,000, RMB15,760,000, RMB15,535,000, respectively, under the defined benefit plans in the next twelve months from the end of the Relevant Periods.

The average durations of the defined benefit plan obligations as at 31 December 2020, 2021 and 2022 are 11 years, 11 years, and 11 years, respectively.

25. DEFERRED TAX

The unrecognised deferred tax assets as at the end of the Relevant Periods are disclosed in note 9.

26. SHARE CAPITAL

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Registered share capital	3,090,962	3,090,962	3,090,962
Paid-in capital	2,625,960	2,641,889	2,737,242

A summary of movements in the Target Company's share capital is as follows:

	RMB'000
At 1 January 2020	2,611,709
Capital contributions	14,251
At 31 December 2020 and January 2021	2,625,960
Capital contributions	15,929
At 31 December 2021 and 1 January 2022	2,641,889
Capital contributions	95,353
At 31 December 2022	2,737,242

In 2020 and 2021, Liaoning State-owned Assets Supervision and Administration Commission(Liaoning SASAC) fulfilled its investment obligation to the Target Company with land valued at RMB14,251,000 and RMB15,929,000 respectively. In 2022, SASAC Liaoning fulfilled its investment obligation to the Target Company with the shares of Liaoning Yikang Technology Co., Ltd. ("**Yikang**"), which was valued at RMB95,353,000.

27. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page 79 of this Historical Financial Information.

Merger reserve

Pursuant to a group re-organisation before the Relevant Periods, the merger reserve represents the difference between the cash paid to the Original Shareholders and net assets acquired by the Target Company excluding retained earnings.

Capital reserve

The Target Group's capital reserve represents the premium of the capital contribution over the subscribed capital.

Actuarial changes reserve

The actuarial changes reserve comprises the remeasurements arising from changes in demographic assumptions, financial assumptions and experiences adjustments, as further explained in the accounting policy for defined benefit plan in note 2.5 to the Historical Financial Information.

Target Company

The amount of the Target Company's reserve and the movement therein for the Relevant Periods are presented as below:

	Merger reserve	**Capital reserve**	**Accumulated losses**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	(1,641,669)	—	(316,045)	(1,957,714)
Loss and total comprehensive loss for the year	—	—	(600)	(600)
At 31 December 2020 and 1 January 2021	(1,641,669)	—	(316,645)	(1,958,314)
Profit and total comprehensive income for the year	—	—	6,556	6,556
At 31 December 2021 and 1 January 2022	(1,641,669)	—	(310,089)	(1,951,758)
Capital contributions by shareholders	—	198	—	198
Profit and total comprehensive income for the year	—	—	914	914
At 31 December 2022	(1,641,669)	198	(309,175)	(1,950,646)

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Target Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,494,000, RMB315,000 and RMB1,540,000, respectively, in respect of lease arrangements for plant and equipment.

In 2022, SASAC Liaoning injected capital to the Target Company with 100% equity interests of Yikang, amounting to RMB95,551,000. Management of the Target Group chose to account for the acquisition of the 100% equity interests as assets acquisition since it passed the concentration test. So, among the consideration of RMB95,551,000, an amount of RMB95,402,000 was assigned to an investment property and the remaining RMB149,000 was assigned to other assets/liabilities. Subsequently on 31 December 2022, the Target Group disposed of Yikang at a consideration of RMB95,715,500 to a fellow subsidiary. On 31 December 2022, the net assets of Yikang were RMB93,222,000, which mainly represented the investment property of RMB93,133,000 held by Yikang. The Target Company recognised a disposal gain of RMB2,493,500 in 2022.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings *RMB'000*	Lease liabilities *RMB'000*	Due to related parties *RMB'000*
At 1 January 2020	1,220,243	148,421	2,352,303
Changes from financing cash flows	(774,159)	(157,690)	(2,352,303)
New lease	—	11,494	—
Interest expenses	32,361	12,828	—
Covid-19-related rent concessions from lessors	—	(198)	—
At 31 December 2020 and 1 January 2021	478,445	14,855	—
Changes from financing cash flows	(78,468)	(5,299)	—
New lease	—	315	—
Interest expenses	18,582	718	—
Lease modification	—	(436)	—
Changes from non-financing cash flows	—	—	—
At 31 December 2021 and 1 January 2022	418,559	10,153	—
Changes from financing cash flows	(250,183)	(5,516)	—
New lease	—	1,540	—
Interest expenses	12,849	472	—
Covid-19-related rent concessions from lessors	—	(70)	—
At 31 December 2022	181,225	6,579	—

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	873	598	421
Within financing activities	157,690	5,299	5,516
	158,563	5,897	5,937

29. CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022, the Target Group did not have any contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Target Group.

30. COMMITMENTS

The Target Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Long-term assets purchases	111,808	64,650	111,379
Payment of consideration for the acquisition of Liaoning Port Company *(note)*	—	149,277	149,277
	111,808	213,927	260,656

Note: On 13 November 2021, the Target Group entered into equity transfer agreements with an independent third parties to acquire 70% of the equity of Liaoning Port Medical Management (Liaoning) Co., Ltd. ("**Liaoning Port Company**") with a total consideration of RMB184,554,000. Liaoning Port Company intended to sponsor two non-profit hospitals (the "**Underlying Hospitals**"). The Target Group had paid an advance payment of RMB35,277,000 in 2021, while the precondition for the payment of the remaining consideration of RMB149,277,000 is that Liaoning Port Company obtains the sponsorship right of the Underlying Hospitals, and the Underlying Hospitals acquire the ownership of some land and buildings. As at 31 December 2022, the above acquisition has not been completed.

31. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party transactions

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Group had the following material transactions with related parties during the Relevant Periods:

		Year ended 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Fellow subsidiaries:				
Service fee expenses	*(i)*	3,205	893	5,576
Purchase of goods	*(ii)*	216,100	284,268	304,943

(i) The service fee expenses to fellow subsidiaries were based on mutually agreed terms between the relevant parties.

(ii) The purchase of goods from a fellow subsidiary was based on mutually agreed terms between the relevant parties.

(b) Outstanding balances with related parties

Target Group

Due from related parties

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature:			
Fellow subsidiaries	1,622	8,531	2,332
Non-trade in nature:			
Fellow subsidiaries	250,010	455,344	910,776
	251,632	463,875	913,108

As at 31 December 2022, the balances of RMB806,894,000 due from a fellow subsidiary bear interest at 1% per annum. Apart from the aforementioned balances, as at 31 December 2020, 2021 and 2022, the remaining amounts due from related parties are unsecured, interest-free and repayable on demand.

In the opinion of the directors, the expected credit loss on the above receivable balances was considered to be minimal.

Due to related parties

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature:			
Fellow subsidiaries	104,687	113,162	104,079
Non-trade in nature:			
Fellow subsidiaries	2,308	5,946	17,802
	106,995	119,108	121,881

As at 31 December 2020, 2021 and 2022, the amounts due to related parties are unsecured, interest-free and repayable on demand.

Target Company

The amounts due to related party of the Target Company is the deposit from its subsidiaries.

(c) Compensation of key management personnel of the Target Group

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	10,474	5,613	5,625
Post-employment benefits	291	510	147
Total compensation paid to key management personnel	10,765	6,123	5,772

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

31 December 2020

Financial assets

	Financial assets at fair value through profit or loss -mandatorily designated as such	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL	50,210	—	50,210
Trade and bills receivables	—	346,760	346,760
Financial assets included in prepayments, other receivables and other assets	—	66,712	66,712
Due from related parties	—	251,632	251,632
Cash and cash equivalents	—	575,007	575,007
	50,210	1,240,111	1,290,321

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	677,447
Financial liabilities included in other payables and accruals	441,048
Interest-bearing bank borrowings	478,445
Due to related parties	106,995
Lease liabilities	14,855
	1,718,790

31 December 2021

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade and bills receivables	385,525
Financial assets included in prepayments, other receivables and other assets	47,111
Due from related parties	458,541
Cash and cash equivalents	610,449
	1,501,626

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	709,690
Financial liabilities included in other payables and accruals	405,482
Interest-bearing bank borrowings	418,559
Due to related parties	119,108
Lease liabilities	10,153
	1,662,992

31 December 2022

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade and bills receivables	537,050
Financial assets included in prepayments, other receivables and other assets	54,027
Due from related parties	909,942
Cash and cash equivalents	39,668
	1,540,687

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	580,524
Financial liabilities included in other payables and accruals	479,191
Interest-bearing bank borrowings	181,225
Due to related parties	121,881
Lease liabilities	6,579
	1,369,400

Target Company

As at 31 December 2020, 2021 and 2022, the financial assets and financial liabilities are shown on the face of the statements of financial position.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, balances with related parties, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Target Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair values of the non-current portion of interest-bearing bank borrowings and financial liabilities included in other payables and accruals and structured deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Target Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	—	50,210	—	50,210

During the year ended 31 December 2020, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

As at 31 December 2021 and 2022, the Target Group has no financial assets measured at fair value.

As at 31December 2020, 2021 and 2022, the Target Group has no financial liabilities measured at fair value.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and cash equivalents, balances with related parties and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Target Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's cash and cash equivalents.

The Target Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Target Group's interest-bearing bank borrowings and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

If there would be a general increase/decrease in the market interest rates by one percentage point, with all other variables held constant, the Target Group's consolidated pre-tax profit would have decreased/increased by approximately RMB5,575,000, RMB6,104,000 and RMB397,000 for the years ended 31 December 2020, 2021 and 2022, respectively. The sensitivity analysis above has been determined assuming that the change in market interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those financial instruments in existence at that date.

(b) Credit risk

The Target Group trades only with recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	As at 31 December 2020				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	594,855	594,855
Financial assets included in prepayments, other receivables and other assets					
— Normal**	66,712	—	—	—	66,712
— Doubtful**	—	12,653	—	—	12,653
Due from related parties					
— Normal**	251,632	—	—	—	251,632
Cash and cash equivalents					
— Not yet past due	575,007	—	—	—	575,007
	893,351	12,653	—	594,855	1,500,859

	As at 31 December 2021				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	633,877	633,877
Financial assets included in prepayments, other receivables and other assets					
— Normal**	47,111	—	—	—	47,111
— Doubtful**	—	12,559	—	—	12,559
Due from related parties					
— Normal**	458,541	—	—	—	458,541
Cash and cash equivalents					
— Not yet past due	610,449	—	—	—	610,449
	1,116,101	12,559	—	633,877	1,762,537

	As at 31 December 2022				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	772,450	772,450
Financial assets included in prepayments, other receivables and other assets					
— Normal**	54,027	—	—	—	54,027
— Doubtful**	—	11,527	—	—	11,527
Due from related parties					
— Normal**	909,942	—	—	—	909,942
Cash and cash equivalents					
— Not yet past due	39,668	—	—	—	39,668
	1,003,637	11,527	—	772,450	1,787,614

* For trade and bills receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 16 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and due from related parties is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(c) Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The maturity profile of the Target Group's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2020				
	Within 1 year/ repayable on demand	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	677,447	—	—	—	677,447
Financial liabilities included in other payables and accruals	441,048	—	—	—	441,048
Interest-bearing bank borrowings	490,505	—	—	—	490,505
Due to related parties	106,995	—	—	—	106,995
Lease liabilities	5,605	4,280	5,037	2,590	17,512
	1,721,600	4,280	5,037	2,590	1,733,507

	As at 31 December 2021				
	Within 1 year/ repayable on demand	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	709,690	—	—	—	709,690
Financial liabilities included in other payables and accruals	405,482	—	—	—	405,482
Interest-bearing bank borrowings	428,089	—	—	—	428,089
Due to related parties	119,108	—	—	—	119,108
Lease liabilities	4,335	3,390	1,791	1,855	11,371
	1,666,704	3,390	1,791	1,855	1,673,740

	As at 31 December 2022				
	Within 1 year/ repayable on demand	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	580,524	—	—	—	580,524
Financial liabilities included in other payables and accruals	479,191	—	—	—	479,191
Interest-bearing bank borrowings	180,570	93	3,665	—	184,328
Due to related parties	121,881	—	—	—	121,881
Lease liabilities	3,679	911	1,300	1,435	7,325
	1,365,845	1,004	4,965	1,435	1,373,249

(d) Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

35. EVENTS AFTER THE RELEVANT PERIODS

In February 2023, the Target Group acquired 70% interests in Liaoning Port Company and its sponsored hospitals, which are engaged in the provision of general healthcare services. The Target Group plans to measure the non-controlling interest in Liaoning Port Company at the non-controlling interest's proportionate share of Liaoning Port Company's identifiable net assets.

Due to the acquisition of Liaoning Port Company being effected shortly before the date of approval of the Historical Financial Information, it is not practicable to disclose further details about the acquisition.

Apart from the aforementioned event, the Target Group did not have any other significant events subsequent to 31 December 2022.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 31 December 2022.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA RESOURCES MEDICAL HOLDING COMPANY LIMITED

Introduction

We report on the historical financial information of Shenzhen China Resources Healthcare Industry Investment Co., Limited (the "**Target Company**") set out on pages 144 to 168, which comprises the statements of financial position of the Target Company as at 31 December 2020, 2021 and 2022, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2020, 2021 and 2022 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 144 to 168 forms an integral part of this report, which has been prepared for inclusion in the circular of China Resources Medical Holdings Company Limited (the "**Company**") dated 27 April 2023 in connection with the acquisition of 100% equity interests in the Target Company .

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Company for the Relevant Periods ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *"Accountants' Reports on Historical Financial Information in Investment Circulars"* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2020, 2021 and 2022 and of the financial performance and cash flows of the Target Company for the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Dividends

We refer to note 8 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong

27 April 2023

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	*4*	—	10,148	37,673
Cost of sales		—	(4,677)	(23,034)
Gross profit		—	5,471	14,639
Other income	*4*	—	—	162
Administrative expenses		—	(185)	(531)
Other expenses		—	—	(41)
PROFIT BEFORE TAX	*5*	—	5,286	14,229
Income tax expense	*7*	—	(800)	(2,701)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		—	4,486	11,528

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT ASSETS				
Trade receivables	*9*	—	—	1,238
Tax recoverable	*11*	—	—	218
Amounts due from related parties	*16(b)*	—	10,757	9,921
Cash and bank balances	*10*	—	1,925	11,706
Total current assets		—	12,682	23,083
CURRENT LIABILITIES				
Other payables and accruals	*12*	—	3,070	6,886
Amounts due to related parties	*16(b)*	—	4,326	183
Tax payable		—	800	—
Total current liabilities		—	8,196	7,069
NET CURRENT ASSETS		—	4,486	16,014
TOTAL ASSETS LESS CURRENT LIABILITIES		—	4,486	16,014
Net assets		—	4,486	16,014
EQUITY				
Share capital	*13*	—	—	—
Reserves	*14*	—	4,486	16,014
Total equity		—	4,486	16,014

STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Statutory surplus reserve *RMB'000* *(note 14)*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2020, 31 December 2020 and 1 January 2021	—	—*	—*	—
Profit for the year and total comprehensive income for the year	—	—	4,486	4,486
Appropriation to statutory surplus reserve	—	449	(449)	—
At 31 December 2021 and 1 January 2022	—	449*	4,037*	4,486
Profit for the year and total comprehensive income for the year	—	—	11,528	11,528
Appropriation to statutory surplus reserve	—	1,153	(1,153)	—
At 31 December 2022	—	1,602*	14,412*	16,014

* These reserve accounts represent the total reserves of nil, RMB4,486,000 and RMB16,014,000 in the statements of financial position as at 31 December 2020, 2021 and 2022, respectively.

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		—	5,286	14,229
Adjustment for:				
Interest income	4	—	—	(160)
		—	5,286	14,069
Increase in trade receivables		—	—	(1,238)
Decrease/(increase) in amounts due from related parties		—	(10,757)	836
Increase/(decrease) in amount due to related parties		—	4,326	(4,143)
Increase in other payables and accruals		—	3,070	3,816
Cash generated from operations		—	1,925	13,340
Interest received		—	—	160
Income tax paid		—	—	(3,719)
Net cash flows from operating activities		—	1,925	9,781
NET INCREASE IN CASH AND CASH EQUIVALENTS		—	1,925	9,781
Cash and cash equivalents at beginning of year		—	—	1,925
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	—	1,925	11,706

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shenzhen China Resources Healthcare Industry Development Co., Limited is a limited liability company registered in Guangdong Province, the People's Republic of China (the "**PRC**"). The registered office of the Target Company is located at 3209A, T5 office building, Qianhai China Resources Financial Center, No. 5035, Menghai Avenue, Nanshan Street, Qianhai Shenzhen Hong Kong Cooperation Zone, Shenzhen, Guangdong Province, PRC.

The Target Company was incorporated on 3 August 2018 and did not start its operation until 2021. During the Relevant Periods, the Target Company was involved in the provision of supply chain management services in Mainland China.

As at 31 December 2020 and 2021, the Target Company is a wholly-owned subsidiary of China Resources Medical Company Limited ("**CRMC**"), a company incorporated in Hong Kong. On 20 June 2022, LR Management Company Limited ("**LR Management**") and CRMC entered into a share transfer agreement, pursuant to which CRMC transferred 100% equity of Shenzhen CR Healthcare to LR Management (the "**Equity Transfer**"). The Equity Transfer was completed on 30 June 2022. After the Equity Transfer, the Target Company became a subsidiary of LR Management. In the opinion of the directors, the ultimate holding company is China Resources Company Limited, a company incorporated in the PRC, throughout the Relevant Periods.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention and presented in RMB, which is also the functional currency of the Target Company.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 4]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "***2020 Amendments***")[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "***2022 Amendments***")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

5 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Further information about those IFRSs that are expected to be applicable to the Target Company is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the Relevant Periods. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the Relevant Periods. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Target Company is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Target Company is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual Relevant Periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual Relevant Periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company recognises an allowance for excepted credit losses ("**ECLs**") for financial assets at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Company applies the practical expedient of not adjusting the effect of a significant financing component, the Target Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Relevant Period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Target Company's revenue is primarily derived from providing supply chain management services and business process outsourcing service.

(a) Provision of supply chain management services

Revenue from the provision of supply chain management services is recognised at a point in time when the services are provided by the Target Company. Relevant revenue is recognised based on pre-set formulas set out in the arrangements.

(b) Provision of business process outsourcing service

Revenue from the provision of business process outsourcing service is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Target Company. Relevant revenue is recognised based on pre-set formulas set out in the contractual arrangements.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other employee benefits

Pension scheme

The employees of the Target Company are required to participate in a central pension scheme operated by the local municipal government. The Target Company is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Housing fund and other social insurances

The Target Company has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Target Company makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Target Company has no further obligations beyond the contributions made.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Target Company's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The impairment provisions for trade receivables are based on assumptions about expected credit losses. The Target Company uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Target Company's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	—	10,148	37,673

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Supply chain management services	—	1,172	37,673
Business process outsourcing service	—	8,976	—
Total revenue from contracts with customers	—	10,148	37,673

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Timing of revenue recognition			
Services transferred over time	—	10,148	37,673

(b) Performance obligations

Information about the Target Company's performance obligations is summarised below:

Supply chain management

Revenue from the provision of supply chain management services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Target Company. Relevant revenue is recognised based on pre-set formulas set out in the arrangements.

Business process outsourcing service

The performance obligation of business process outsourcing service is satisfied over time as services are rendered.

An analysis of other income is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	—	—	160
Other	—	—	2
	—	—	162

5. PROFIT BEFORE TAX

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Auditor's remuneration	—	30	30
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries	—	3,130	11,515
Pension scheme contributions (defined contribution scheme)*	—	77	649
	—	3,207	12,164

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

6. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	—	352	866
Pension scheme contributions	—	8	24
	—	360	890

7. INCOME TAX

Pursuant to the relevant laws and regulations in the PRC, the statutory corporate income tax rate of 15% was applied to the Target Company during the Relevant Periods. The Target Company is a qualifying entity under the Shenzhen Qianhai Modern-service Industry Cooperation Zone Enterprise Income Tax regime.

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current — Mainland China			
Charge for year	—	800	2,167
Underprovision in prior years	—	—	534
	—	800	2,701

A reconciliation of the tax expenses applicable to profit before tax at the applicable tax rates to the tax expenses at the effective tax rates are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	—	5,286	14,229
Tax at the applicable tax rate of 15%	—	793	2,134
Adjustments in respect of current tax of previous periods	—	—	534
Expenses not deductible for tax	—	7	33
Tax charge at the Target Company's effective rate	—	800	2,701

8. DIVIDENDS

No dividend was paid or declared by the Target Company during the Relevant Periods.

9. TRADE RECEIVABLES

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	—	—	1,238

The Target Company's trading terms with its customers are mainly on credit. The credit period is 120 days for major customers. The Target Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. The Target Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	—	—	1,238

In the opinion of the directors, the expected credit loss of the Target Company's trade receivables was considered not to be minimal, given that there was no history of significant defaults from customers and the impact from forward-looking estimates was insignificant.

10. CASH AND BANK BALANCES

As at 31 December 2020, 2021 and 2022, the cash and bank balances of the Target Company denominated in RMB amounted to nil, RMB1,925,000 and RMB11,706,000, respectively. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited in creditworthy banks with no recent history of default.

11. TAX RECOVERABLE

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Prepaid income tax	—	—	218

12. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salary and welfare	—	2,326	6,708
Other PRC taxes payable	—	704	46
Others	—	40	132
	—	3,070	6,886

13. SHARE CAPITAL

	As at 31 December		
	2020	**2021**	**2022**
	USD'000	*USD'000*	*USD'000*
Registered share capital	100,000	100,000	100,000
Paid-in capital	—	—	—

14. RESERVES

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity on page 147 of this Historical Financial Information.

Statutory surplus reserve

Pursuant to the relevant laws and regulations in Mainland China, a portion of the profits of the Target Company has been transferred to the statutory surplus reserve funds which are restricted to use.

15. CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022, the Target Company did not have any contingent liabilities or guarantees that would have a material impact on the financial positions or operations of the Target Company.

16. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party transactions

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Company had the following material transactions with related parties during the Relevant Periods:

		Year ended 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Fellow subsidiaries:				
Service fee expenses	*(i)*	—	—	57
Supply chain management service income	*(ii)*	—	1,172	12,101
Business process outsourcing service income	*(ii)*	—	8,976	—

(i) The fees were paid for the services of intellectual property rights provided by China Resources Intellectual Property Management Co., Ltd. The fees were charged pursuant to the terms in the agreement signed between the Target Company and China Resources Intellectual Property Management Co., Ltd.

(ii) Income from the supply chain management services and business process outsourcing service from fellow subsidiaries was charged based on terms mutually agreed between the relevant parties.

(b) Related party balances

Due from related parties

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature:			
Fellow subsidiaries	—	10,757	9,910
Non-trade in nature:			
Fellow subsidiaries	—	—	11
	—	10,757	9,921

An ageing analysis of the Target Company's amounts due from related parties as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	—	10,757	406
1 to 2 years	—	—	9,515
	—	10,757	9,921

The amounts due from fellow subsidiaries are unsecured, interest-free and repayable on demand. In the opinion of directors, the expected credit loss is considered to be minimal.

Due to related parties

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade in nature:			
Fellow subsidiaries	—	4,326	183

The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Target Company

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	—	1,421	9,165
Post-employment benefits	—	49	173
Total compensation paid to key management personnel	—	1,470	9,338

Further details of directors' emoluments are included in note 6 to the Historical Financial Information.

17. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost:			
Trade receivables	—	—	1,238
Due from related parties	—	10,757	9,921
Cash and cash equivalents	—	1,925	11,706
	—	12,682	22,865

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost:			
Financial liabilities included in other payables and accruals	—	40	132
Due to related parties	—	4,326	183
	—	4,366	315

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise cash and cash equivalents and balances with related parties. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as trade receivables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The Target Company does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	As at 31 December 2021				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties					
— Not yet past due	10,757	—	—	—	10,757
Cash and cash equivalents					
— Not yet past due	1,925	—	—	—	1,925
	12,682	—	—	—	12,682

	As at 31 December 2022				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	1,238	1,238
Due from related parties					
— Not yet past due	9,921	—	—	—	9,921
Cash and cash equivalents					
— Not yet past due	11,706	—	—	—	11,706
	21,627	—	—	1,238	22,865

* For trade receivables to which the Target Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 9 to the Historical Financial Information.

(b) Liquidity risk

The Target Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Target Company's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2021				
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	40	—	—	—	40
Due to related parties	4,326	—	—	—	4,326
	4,366	—	—	—	4,366

	As at 31 December 2022				
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	132	—	—	—	132
Due to related parties	183	—	—	—	183
	315	—	—	—	315

(c) Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods. Capital of the Target Company comprises all components of the shareholder's equity.

19. EVENTS AFTER THE RELEVANT PERIODS

As at the date of approval of the Historical Financial Information, the Target Company did not have any significant events subsequent to 31 December 2022.

20. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2022.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA RESOURCES MEDICAL HOLDING COMPANY LIMITED

Introduction

We report on the historical financial information of China Resources Healthcare (Jiangxi) Co., Ltd. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages 172 to 235, which comprises the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2020, 2021 and 2022, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2020, 2021 and 2022 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 172 to 235 forms an integral part of this report, which has been prepared for inclusion in the circular of China Resources Medical Holdings Company Limited (the "**Company**") dated 27 April 2023 in connection with the acquisition of 80% equity interests in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Group for the Relevant Periods ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *"Accountants' Reports on Historical Financial Information in Investment Circulars"* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2020, 2021 and 2022 and of the financial performance and cash flows of the Target Group for the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Dividends

We refer to note 10 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong

27 April 2023

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	*5*	635,238	690,651	694,135
Cost of sales		(571,348)	(621,132)	(622,714)
Gross profit		63,890	69,519	71,421
Other income and gains	*5*	8,281	9,578	8,068
Administrative expenses		(30,047)	(29,187)	(28,559)
Impairment losses on financial assets, net		(12,078)	(8,103)	(7,216)
Other expenses		(5,009)	(2,190)	(5,285)
Finance costs	*7*	(18,895)	(16,374)	(15,504)
PROFIT BEFORE TAX	*6*	6,142	23,243	22,925
Income tax expense	*9*	—	—	—
PROFIT FOR THE YEAR		6,142	23,243	22,925

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	6,142	23,243	22,925
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gains on defined benefit plans	—	1,500	8
OTHER COMPREHENSIVE INCOME FOR THE YEAR	—	1,500	8
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6,142	24,743	22,933

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*11*	404,452	394,950	414,298
Right-of-use assets	*12(a)*	5,680	5,512	5,287
Goodwill	*13*	351,961	351,961	351,961
Intangible assets	*14*	1,366	3,104	5,335
Prepayments and other receivables	*17*	2,703	2,791	2,950
Prepayments to a related party	*29(b)*	—	4,653	2,117
Total non-current assets		766,162	762,971	781,948
CURRENT ASSETS				
Inventories	*15*	33,471	27,885	29,842
Trade receivables	*16*	146,219	135,627	156,275
Prepayments, other receivables and other assets	*17*	12,371	14,126	9,209
Amounts due from a related party	*29(b)*	—	—	129,430
Pledged deposits	*18*	10,260	13,314	17,727
Cash and cash equivalents	*18*	131,962	133,773	71,094
Total current assets		334,283	324,725	413,577
CURRENT LIABILITIES				
Trade and bills payables	*19*	318,623	229,963	236,852
Other payables and accruals	*20*	153,349	139,361	132,948
Amounts due to related parties	*29(b)*	34,316	52,833	44,422
Interest-bearing bank borrowings	*21*	154,288	153,732	120,255
Lease liabilities	*12(b)*	—	16	4
Total current liabilities		660,576	575,905	534,481
NET CURRENT LIABILITIES		(326,293)	(251,180)	(120,904)
TOTAL ASSETS LESS CURRENT LIABILITIES		439,869	511,791	661,044

		As at 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Amounts due to related parties	*29(b)*	279,137	328,049	449,017
Interest-bearing bank borrowings	*21*	—	—	6,027
Lease liabilities	*12(b)*	—	4	—
Provision	*23*	769	274	60
Retirement benefit obligations	*22*	7,880	6,008	5,420
Other payables and accruals	*20*	1,155	1,785	1,916
Total non-current liabilities		288,941	336,120	462,440
Net assets		150,928	175,671	198,604
EQUITY				
Share capital	*24*	200,000	200,000	200,000
Reserves	*25*	(49,072)	(24,329)	(1,396)
Total equity		150,928	175,671	198,604

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Actuarial changes reserve	Accumulated losses	Total equity
	RMB'000	*RMB'000* *(note 26)*	*RMB'000*	*RMB'000*
At 1 January 2020	200,000	—	(55,214)	144,786
Profit and total comprehensive income for the year	—	—	6,142	6,142
At 31 December 2020 and 1 January 2021	200,000	—*	(49,072)*#	150,928
Profit for the year	—	—	23,243	23,243
Re-measurement gains on defined benefit plans	—	1,500	—	1,500
Total comprehensive income for the year	—	1,500	23,243	24,743
At 31 December 2021 and 1 January 2022	200,000	1,500*	(25,829)*#	175,671
Profit for the year	—	—	22,925	22,925
Re-measurement gains on defined benefit plans	—	8	—	8
Total comprehensive income for the year	—	8	22,925	22,933
At 31 December 2022	200,000	1,508*	(2,904)*#	198,604

* These reserve accounts represent the total debit reserves of RMB49,072,000, RMB24,329,000 and RMB1,396,000 in the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, respectively.

\# Included in the balance as at 31 December 2020, 2021 and 2022 are accumulated profits of the Target Group's consolidated not-for-profit hospitals of RMB4,812,000, RMB15,391,000 and RMB24,617,000, respectively, which are not distributable.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		6,142	23,243	22,925
Adjustments for:				
Finance costs	7	18,895	16,374	15,504
Interest income	5	(1,563)	(2,278)	(1,825)
Fair value gains on financial assets at FVTPL	5	(161)	—	—
Loss/(gain) on disposal of items of property, plant and equipment, net	6	49	(1,949)	(808)
Depreciation of property, plant and equipment	6	29,225	34,758	36,774
Depreciation of right-of-use assets	6	189	200	225
Amortisation of intangible assets	6	159	507	1,020
Provisions made	23	769	274	60
Net pension cost recognised	22	574	460	303
Impairment of trade receivables, net	6	13,564	8,030	7,084
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets, net	6	(1,486)	73	132
		66,356	79,692	81,394
Decrease/(increase) in inventories		(1,433)	5,586	(1,957)
Decrease/(increase) in pledged deposits		(10,260)	(3,054)	(4,413)
Decrease/(increase) in trade receivables		(29,891)	2,562	(27,732)
Decrease/(increase) in prepayments, other receivables and other assets		12,465	(1,827)	4,786
Increase in amounts due from related parties		—	—	(289)
Increase/(decrease) in trade and bills payables		(21,276)	(88,660)	6,889
Increase/(decrease) in other payables and accruals		1,531	(1,297)	(4,460)
Increase/(decrease) in amounts due to related parties		30,281	18,516	(8,412)
Decrease in provisions		—	(769)	(274)
Decrease in retirement benefit obligation		(964)	(1,152)	(1,065)
Cash generated from operations		46,809	9,597	44,467
Interest received		1,563	2,278	1,825
Net cash flows from operating activities		48,372	11,875	46,292

		Year ended 31 December		
		2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment		(44,134)	(35,489)	(48,894)
Purchase of intangible assets		(1,243)	(2,245)	(3,251)
Proceeds from disposal of items of property, plant and equipment		50	8,233	1,120
Purchase of financial assets at FVTPL and amortised cost		(60,000)	—	—
Proceeds from disposal of financial assets at FVTPL		60,161	—	—
Decrease in prepayments and other receivables		104,521	—	—
Increase in amounts due from related parties		—	(4,653)	(126,605)
Repayment of consideration for the acquisition of subsidiaries		(169,099)	(8,160)	(9,489)
Net cash flows used in investing activities		(109,744)	(42,314)	(187,119)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interests paid		(2,783)	(16,651)	(18,960)
Principal portion of lease payments		—	(12)	(16)
Repayment of other borrowings		(100,568)	—	—
Increase in interest-bearing bank borrowings		150,000	150,000	126,155
Repayment of interest-bearing bank borrowings		(65,000)	(150,000)	(150,000)
Increase/(decrease) in amounts due to related companies		(220,000)	48,913	120,969
Net cash flows from/(used in) financing activities		(238,351)	32,250	78,148
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(299,723)	1,811	(62,679)
Cash and cash equivalents at beginning of year		431,685	131,962	133,773
CASH AND CASH EQUIVALENTS AT END OF YEAR		131,962	133,773	71,094

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment		56	—	—
Intangible assets	*14*	730,540	730,540	730,540
Total non-current assets		730,596	730,540	730,540
CURRENT ASSETS				
Trade receivables		3,384	2,820	1,382
Prepayments, other receivables and other assets		—	2	2
Amounts due from a related party	*29(b)*	—	321	596
Cash and cash equivalents	*18*	101,830	12,016	12,811
Total current assets		105,214	15,159	14,791
CURRENT LIABILITIES				
Other payables and accruals		59,609	52,138	41,830
Amounts due to related parties	*29(b)*	312,461	178,671	66,217
Interest-bearing bank borrowings	*21*	—	—	120,124
Total current liabilities		372,070	230,809	228,171
NET CURRENT LIABILITIES		(266,856)	(215,650)	(213,380)
TOTAL ASSETS LESS CURRENT LIABILITIES		463,740	514,890	517,160
NON-CURRENT LIABILITIES				
Amounts due to related parties	*29(b)*	279,137	328,049	327,964
Total non-current liabilities		279,137	328,049	327,964
Net assets		184,603	186,841	189,196
EQUITY				
Share capital	*24*	200,000	200,000	200,000
Reserves	*25*	(15,397)	(13,159)	(10,804)
Total equity		184,603	186,841	189,196

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Target Company is a limited liability company registered in Jiangxi Province, People's Republic of China (the "**PRC**"). The registered office of the Target Company is located at No. 117 Ding Road, Xihu District, Nanchang City, Jiangxi Province, PRC.

During the Relevant Periods, the Target Group was involved in the provision of general healthcare services in Mainland China.

The Target Company is a subsidiary of China Resources Healthcare Technology Development (China) Co., Ltd., a company incorporated in the PRC. In the opinion of the directors, the ultimate holding company is China Resources Company Limited, a state-owned enterprise established in the PRC.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are non-profit hospitals, the particulars of which are set out below:

Name	Note	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Target Company		Principal activities
				Direct	Indirect	
Pingxiang Mining Group Co., Limited General Hospital ("**Pingxiang Hospital**") ("**萍鄉礦業集團有限責任公司總醫院**")*#	(i)	PRC/Mainland China	RMB50,000,000	100%	—	Provision of general healthcare services
Fengcheng Mining Bureau General Hospital ("**Fengcheng Hospital**") ("**豐城礦務局總醫院**")*#	(i)	PRC/Mainland China	RMB20,000,000	100%	—	Provision of general healthcare services
Xinyu Mining Hospital ("**Xinyu Hospital**") ("**新余礦業醫院**")*#	(i)	PRC/Mainland China	RMB12,980,000	100%	—	Provision of general healthcare services
Leping Mining Bureau First Staff Hospital ("**Leping Hospital**") ("**樂平礦務局第壹職工醫院**")*#	(i)	PRC/Mainland China	RMB50,320,000	100%	—	Provision of general healthcare services
Ruizhou Hospital ("**瑞州醫院**")*#	(i)	PRC/Mainland China	RMB27,960,000	100%	—	Provision of general healthcare services
Jiangxi Daguangshan Miner Hospital ("**Anfu Baixin Hospital**") ("**江西省大光山煤礦職工醫院(安福百信醫院)**")*#	(i)	PRC/Mainland China	RMB10,000,000	100%	—	Provision of general healthcare services

* The names of these companies referred to in this report represent management's best effort in translating the Chinese names of the companies registered in Mainland China, as no English names have been registered.

\# Non-profit hospitals cannot be registered as companies under PRC law. The sponsor of a non-profit hospital has the obligation to inject start-up funds into such institutions. Once the start-up funds are injected, the sponsor cannot withdraw them. Due to the charitable nature of non-profit hospitals, the legal income of such hospitals can only be used for proposed purposes within the scope of their business and, when used, is subject to the articles of association of such hospitals. Therefore, net income cannot be distributed as dividends to its sponsors, unlike shareholders who own equity in the company.

(i) The statutory financial statements of these entities for the years ended 31 December 2020 and 2021 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Ernst & Young Hua Ming LLP, certified public accountants registered in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared on the going concern basis, notwithstanding that the Target Group had net current liabilities at each end of the Relevant Periods, as an intermediate holding company has agreed to provide adequate funds for the Target Group to maintain it as a going concern for the foreseeable future.

The Historical Financial Information has been prepared under the historical cost convention, except for the financial assets at FVTPL, which have been measured at fair value.

All intragroup transactions and balances have been eliminated on consolidation.

2.2 BASIS OF CONSOLIDATION

The Historical Financial Information include the financial statements of the Target Company and its subsidiaries (collectively referred to as the "**Target Group**") for the years ended 31 December 2020, 2021 and 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target

Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 4]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "***2020 Amendments***")[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "***2022 Amendments***")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

5 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Further information about those IFRSs that are expected to be applicable to the Target Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the Relevant Periods. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the Relevant Periods. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Target Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Target Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Target Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual Relevant Periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual Relevant Periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Target Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Target Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Target Group measures its financial assets at FVTPL at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each Relevant Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.94%–12.13%
Medical equipment	9.70%–19.40%
Motor vehicles	9.70%
Office equipment	19.40%
Freehold land	Not depreciated

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Sponsorship right

Sponsorship rights with indefinite useful lives are stated at cost less any impairment losses.

Leases

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Target Group as a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 years
Medical equipment	3 to 10 years
Leasehold land	50 years

If ownership of the leased asset transfers to the Target Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

(c) Short-term leases

The Target Group applies the short-term lease recognition exemption to its short-term leases of buildings and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Target Group as a lessor

When the Target Group acts as a lessor, it classifies at lease inception each of its leases as either an operating lease or a finance lease.

Leases in which the Target Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Target Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statements of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for excepted credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of certain medical consumables is determined using the individual valuation method, and the cost of other inventories is determined using the weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Relevant Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each Relevant Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each Relevant Period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Target Group's revenue is primarily derived from providing in-patient services and out-patient services.

(a) In-patient services

Revenue from the provision of in-patient services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Target Group.

(b) Out-patient services

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

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease term.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The employees of the Target Group are required to participate in a central pension scheme operated by the local municipal government. The Target Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Housing fund and other social insurances

The Target Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Target Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Target Group has no further obligations beyond the contributions made.

Termination benefits

Termination benefits are recognised at the earlier of when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs involving the payment of termination benefits.

Defined benefit plan

The Target Group operates a defined benefit pension plan. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statements of financial position with a corresponding debit or credit to accumulated losses through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of amendment or curtailment of the plan; and
- the date that the Target Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Target Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statements of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non- routine settlements
- net interest expense or income

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Control over the hospitals under the sponsorship rights and service agreements

The Target Group acquired the sponsorship rights from other parties and became the sponsor of certain not-for profit hospitals. The Target Group also entered into a series of service agreements with those not-for-profit hospitals in which the Target Group agrees to provide management services to the hospitals and receive management fees. The hospital management fees were based on certain percentages of the revenue and net income before tax (收支結餘) generated by the hospitals.

Management assessed whether or not the Target Group has control over these not-for-profit hospitals through the sponsorship rights and service agreements based on whether the Target Group has the practical ability to direct the hospitals' relevant activities unilaterally. In making their judgement, management considered the composition of the internal governance bodies and also certain committees which oversee the operations of the hospitals. After assessment, management concluded that the Target Group obtains the decision-making power under their sponsorship rights to direct the relevant activities of the hospitals, so the Target Group could control and thus consolidate those hospitals. These service agreements are considered to have the ability to generate variable returns through control.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Target Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The aggregate carrying amount of goodwill as at 31 December 2020, 31 December 2021 and 31 December 2022 was RMB351,961,000. Further details are given in note 13 to the Historical Financial Information.

Impairment of non-financial assets

The Target Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each Relevant Period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables

The impairment provisions for trade receivables and other receivables are based on assumptions about expected credit losses. The Target Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Target Group's historical experience and forward-looking information at the end of each Relevant Period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details of the trade receivables are given in note 16 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Target Group is principally engaged in the provision of general healthcare services and real estate rental services. More than 90% of the Target Group's revenue, which was derived from general healthcare services, is managed in a unified and centralised manner by the management. Therefore, the Target Group has only one operating segment. Management monitors the results of Target Group's operation as a whole for the purpose of making decisions about resource allocation and performance assessment, and accordingly no further operating segment analysis thereof is presented.

Geographical information

As the Target Group's major operations, customers and non-current assets are located in the PRC, no further geographical segment information is provided.

Information about major customers

No revenue from a single customer individually accounted for 10% or more of the Target Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	635,238	690,651	694,135

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
General healthcare services:			
In-patient	476,734	515,208	507,728
Out-patient	158,504	175,443	186,407
Total revenue from contracts with customers	635,238	690,651	694,135
Timing of revenue recognition			
Services transferred at a point in time	158,504	175,443	186,407
Services transferred over time	476,734	515,208	507,728
Total revenue from contracts with customers	635,238	690,651	694,135

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the Relevant Periods:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the respective years:			
Provision of general healthcare services	11,206	6,153	5,868

(b) Performance obligations

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

In-patient services

For in-patient services, customers normally receive in-patient treatment which contains various treatment components that are all highly interdependent and regarded as a single performance obligation. Since the patient simultaneously receives and consumes the benefits of the Target 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 Target Group to the customer.

Out-patient services

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

An analysis of the Target Group's other income and gains is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other income and gains			
Bank interest income	1,563	2,278	1,825
Government grants	4,250	4,308	3,292
Rental income	1,484	1,554	1,335
Insurance claims	10	470	94
Fair value gains on financial assets at FVTPL, net	161	—	—
Others	813	968	1,522
	8,281	9,578	8,068

6. PROFIT BEFORE TAX

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	301,600	334,836	315,927
Cost of services provided	589	705	2,570
Depreciation of property, plant and equipment	29,225	34,758	36,774
Depreciation of right-of-use assets	189	200	225
Amortisation of intangible assets	159	507	1,020
Lease payments not included in the measurement of lease liabilities	—	123	189
Auditor's remuneration	330	490	340
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries	205,828	212,862	221,283
Pension scheme contributions (defined contribution scheme)#	17,834	24,224	26,886
Pension scheme contributions (defined benefit scheme)#	844	740	453
	224,506	237,826	248,622
Impairment of trade receivables, net*	13,564	8,030	7,084
(Reversal of impairment)/impairment of financial assets included in prepayments, other receivables and other assets, net*	(1,486)	73	132
Loss/(gain) on disposal of items of property, plant and equipment, net	49	(1,949)	(808)

* Included in impairment losses on financial assets, net on the face of the consolidated statements of profit or loss.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	5,045	4,995	4,253
Interest on loans from the immediate holding company	13,580	11,098	11,100
Interest on lease liabilities *(note 13(b))*	—	1	1
Interest on defined benefit obligations *(note 22)*	270	280	150
	18,895	16,374	15,504

8. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Fees	—	—	—
Salaries, allowances and benefits in kind	1,333	927	749
Performance-related bonuses	744	791	—
Pension scheme contributions	29	173	34
	2,106	1,891	783

9. INCOME TAX

Pursuant to the relevant laws and regulations in the PRC, the statutory corporate income tax rate of 25% was applied to the Target Group during the Relevant Periods.

A reconciliation of the tax expenses applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Target Company and the majority of its subsidiaries are domiciled to the tax expenses at the effective tax rate is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	6,142	23,243	22,925
Tax at the statutory tax rate of 25%	1,536	5,811	5,731
Income not subject to tax	(5,340)	(5,252)	(5,835)
Expenses not deductible for tax	152	4	—
Tax losses not recognised/(utilised)	1,994	(400)	(557)
Deductible temporary differences not recognised/ (utilised)	1,658	(163)	661
Tax charge at the Target Group's effective rate	—	—	—

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	7,976	6,376	4,148
Deductible temporary differences	6,628	5,976	8,620
	14,604	12,352	12,768

The above tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that future taxable profits will be available against which the above items can be utilised.

10. DIVIDENDS

No dividend was paid or declared by the Target Company during the Relevant Periods.

11. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2020

	Freehold land	Buildings	Medical equipment	Motor vehicles	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020:						
Cost	42,288	242,690	114,079	2,408	17,132	418,597
Accumulated depreciation	—	(2,900)	(8,615)	(100)	(387)	(12,002)
Net carrying amount	42,288	239,790	105,464	2,308	16,745	406,595
At 1 January 2020, net of accumulated depreciation	42,288	239,790	105,464	2,308	16,745	406,595
Additions	—	4,767	20,427	—	1,987	27,181
Disposals	—	—	(64)	(34)	(1)	(99)
Depreciation provided during the year	—	(8,957)	(16,313)	(369)	(3,586)	(29,225)
At 31 December 2020, net of accumulated depreciation	42,288	235,600	109,514	1,905	15,145	404,452
At 31 December 2020:						
Cost	42,288	247,457	133,222	2,181	19,077	444,225
Accumulated depreciation	—	(11,857)	(23,708)	(276)	(3,932)	(39,773)
Net carrying amount	42,288	235,600	109,514	1,905	15,145	404,452

As at 31 December 2021

	Freehold land *RMB'000*	Buildings *RMB'000*	Medical equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2021:							
Cost	42,288	247,457	133,222	2,181	19,077	—	444,225
Accumulated depreciation	—	(11,857)	(23,708)	(276)	(3,932)	—	(39,773)
Net carrying amount	42,288	235,600	109,514	1,905	15,145	—	404,452
At 1 January 2021, net of accumulated depreciation	42,288	235,600	109,514	1,905	15,145	—	404,452
Additions	—	3,108	21,342	1,560	2,446	3,084	31,540
Disposals	(2,462)	(1,121)	(2,618)	(1)	(82)	—	(6,284)
Depreciation provided during the year	—	(8,706)	(21,571)	(439)	(4,042)	—	(34,758)
At 31 December 2021, net of accumulated depreciation	39,826	228,881	106,667	3,025	13,467	3,084	394,950
At 31 December 2021:							
Cost	39,826	248,301	144,066	3,692	19,237	3,084	458,206
Accumulated depreciation	—	(19,420)	(37,399)	(667)	(5,770)	—	(63,256)
Net carrying amount	39,826	228,881	106,667	3,025	13,467	3,084	394,950

As at 31 December 2022

	Freehold land *RMB'000*	Buildings *RMB'000*	Medical equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2022:							
Cost	39,826	248,301	144,066	3,692	19,237	3,084	458,206
Accumulated depreciation	—	(19,420)	(37,399)	(667)	(5,770)	—	(63,256)
Net carrying amount	39,826	228,881	106,667	3,025	13,467	3,084	394,950
At 1 January 2022, net of accumulated depreciation	39,826	228,881	106,667	3,025	13,467	3,084	394,950
Additions	—	2,436	17,999	532	1,556	33,911	56,434
Disposals	—	—	(23)	—	(289)	—	(312)
Depreciation provided during the year	—	(9,250)	(23,391)	(483)	(3,650)	—	(36,774)
At 31 December 2022, net of accumulated depreciation	39,826	222,067	101,252	3,074	11,084	36,995	414,298
At 31 December 2022:							
Cost	39,826	250,737	162,001	4,221	19,958	36,995	513,738
Accumulated depreciation	—	(28,670)	(60,749)	(1,147)	(8,874)	—	(99,440)
Net carrying amount	39,826	222,067	101,252	3,074	11,084	36,995	414,298

Freehold land held by the Target Group is with indefinite useful life. The land is not depreciated, but is tested for impairment annually, either individually or at the cash-generating unit level. The net carrying amounts of land and buildings without the property certificates were approximately RMB237,705,000, RMB231,716,000, RMB214,297,000 as at 31 December 2020, 2021 and 2022, respectively.

Some hospital's buildings comprise a portion that is held to earn rentals and another portion is held for providing general healthcare services. All of the aforementioned buildings are recognised as property, plant and equipment instead of investment properties because only an insignificant portion is held to earn rentals.

12. LEASES

The Target Group as a lessee

The Target Group leases certain buildings under operating lease arrangements with leases negotiated for periods on the terms of 2 years. Generally, the Target Group is restricted from assigning and subleasing the leased assets outside the Target Group.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount as at the beginning of the year	5,869	5,680	5,512
Additions	—	32	—
Depreciation charge	(189)	(200)	(225)
Carrying amount as at the end of the year	5,680	5,512	5,287

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount as at the beginning of the year	—	—	20
New leases	—	32	—
Accretion of interest recognised during the year	—	1	1
Payments	—	(13)	(17)
Carrying amount as at the end of the year	—	20	4
Analysed into:			
Current portion	—	16	4
Non-current portion	—	4	—
	—	20	4

The maturity analysis of lease liabilities is disclosed in note 32 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	—	1	1
Depreciation charge of right-of-use assets	189	200	225
Expense relating to short-term leases	—	123	189
Amount recognised in profit or loss	189	324	415

The Target Group as a lessor

The Target Group leases some buildings under operating lease arrangements. Rental income recognised by the Target Group during the Relevant Periods is included in note 5 to the Historical Financial Information. At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Target Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	327	350	517
After one year but within two years	—	363	385
After two years but within three years	—	385	375
After three years but within four years	—	375	177
After four years but within five years	—	177	—
	327	1,650	1,454

13. GOODWILL

	RMB'000
At 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	
Cost and net carrying amount	351,961

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Pingxiang Hospital	289,054	289,054	289,054
Ruizhou Hospital	45,954	45,954	45,954
Xinyu Hospital and Anfu Baixin Hospital	4,847	4,847	4,847
Leping Hospital	2,200	2,200	2,200
Fengcheng Hospital	9,906	9,906	9,906
	351,961	351,961	351,961

Impairment testing of goodwill

Goodwill acquired through business combinations of RMB351,961,000 is allocated to five cash-generating units of "Pingxiang Hospital", "Ruizhou Hospital", "Xinyu Hospital", "Leping Hospital" and "Fengcheng Hospital" for impairment testing.

The recoverable amounts of cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. As at the end of each of the Relevant Periods, the pre-tax discount rates applied to the cash flow projections are 13.16%, 13.30% and 12.00%, respectively, and the growth rates used to extrapolate the cash flows of cash-generating units beyond the five-year period are 3.00%. These growth rates do not exceed the long-term average growth rate of the relevant market.

Assumptions were used in the value in use calculation of the five cash-generating units at the end of each of the relevant periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue — The value assigned to the budgeted revenue is the average revenue achieved in the year immediately before the budget year, taking into account the expected growth rate.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates — The growth rates used are based on management's prediction of the future operating conditions.

14. INTANGIBLE ASSETS

Target Group

As at 31 December 2020

	Software *RMB'000*
At 1 January 2020:	
Cost	1,265
Accumulated amortisation	(983)
Net carrying amount	282
Cost at 1 January 2020, net of accumulated amortisation	282
Additions	1,243
Amortisation provided during the year	(159)
At 31 December 2020	1,366
At 31 December 2020:	
Cost	2,508
Accumulated amortisation	(1,142)
Net carrying amount	1,366

As at 31 December 2021

	Software *RMB'000*
At 1 January 2021:	
Cost	2,508
Accumulated amortisation	(1,142)
Net carrying amount	1,366
Cost at 1 January 2021, net of accumulated amortisation	1,366
Additions	2,245
Amortisation provided during the year	(507)
At 31 December 2021	3,104
At 31 December 2021:	
Cost	4,753
Accumulated amortisation	(1,649)
Net carrying amount	3,104

As at 31 December 2022

	Software
	RMB'000
At 1 January 2022:	
Cost	4,753
Accumulated amortisation	(1,649)
Net carrying amount	3,104
At 1 January 2022, net of accumulated amortisation	3,104
Additions	3,251
Amortisation provided during the year	(1,020)
At 31 December 2022	5,335
At 31 December 2022:	
Cost	8,004
Accumulated amortisation	(2,669)
Net carrying amount	5,335

Target Company

As at 31 December 2020, 2021 and 2022

	Sponsorship right
	RMB'000
At 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	
Cost and net carrying amount	730,540

15. INVENTORIES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Pharmaceuticals	27,080	20,789	23,718
Medical consumables	6,391	7,096	6,124
	33,471	27,885	29,842

16. TRADE RECEIVABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	197,972	195,309	222,667
Impairment	(51,753)	(59,682)	(66,392)
	146,219	135,627	156,275

The Target Group's trading terms with its customers are mainly on credit, except for in-patient services provided to the public individual members, where payment in advance is normally required. The credit periods for general healthcare services are undefined in the contract with government healthcare institution. The Target 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. In view of the aforementioned and the fact that the Target Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the Target Group's trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	142,313	128,441	151,281
1 to 2 years	3,906	7,186	4,994
	146,219	135,627	156,275

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	39,280	51,753	59,682
Impairment losses recognised, net *(note 6)*	13,564	8,030	7,084
Amount written off as uncollectible	(1,091)	(101)	(374)
At end of year	51,753	59,682	66,392

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Set out below is the information about the credit risk exposure on the Target Group's trade receivables using a provision matrix, based on past due dates:

As at 31 December 2020

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	14.65%	75.00%	100.00%	100.00%	26.14%
Gross carrying amount *(RMB'000)*	166,740	15,626	4,597	11,009	197,972
Expected credit losses *(RMB'000)*	24,427	11,720	4,597	11,009	51,753

As at 31 December 2021

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	9.70%	75.00%	100.00%	100.00%	30.56%
Gross carrying amount *(RMB'000)*	142,238	28,745	10,778	13,548	195,309
Expected credit losses *(RMB'000)*	13,797	21,559	10,778	13,548	59,682

As at 31 December 2022

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	6.30%	68.78%	100.00%	100.00%	29.82%
Gross carrying amount *(RMB'000)*	161,453	15,997	22,302	22,915	222,667
Expected credit losses *(RMB'000)*	10,172	11,003	22,302	22,915	66,392

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Included in current assets			
Prepayments	200	48	1,117
Other receivables	12,915	14,895	9,041
	13,115	14,943	10,158
Impairment allowance	(744)	(817)	(949)
	12,371	14,126	9,209
Included in non-current assets			
Prepayments for property, plant and equipment	2,703	2,791	2,950

The financial assets included in the above balance relate to receivables for which there were no recent history of default and past due amounts. As at December 2020, 2021 and 2022, the loss allowance was assessed to be minimal.

The movements in provision for impairment of other receivables are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,230	744	817
Impairment losses recognised/(reversed), net *(note 6)*	(1,486)	73	132
At end of year	744	817	949

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Target Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	132,222	137,087	78,821
Time deposits	10,000	10,000	10,000
	142,222	147,087	88,821
Less: Pledged deposits	(10,260)	(13,314)	(17,727)
Cash and cash equivalents	131,962	133,773	71,094

At 31 December 2020, 2021 and 2022, the cash and bank balances of the Target Group were denominated in RMB. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited in creditworthy banks with no recent history of default. Short-term time deposits are unsecured and earn interest at the respective short-term time deposit rates.

Target Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	101,830	12,016	12,811

19. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	219,280	197,142	218,996
1 to 2 years	72,910	8,008	5,622
2 to 3 years	16,382	11,238	891
Over 3 years	10,051	13,575	11,343
	318,623	229,963	236,852

The trade and bills payables are unsecured and interest-free and are normally settled on terms within one year.

20. OTHER PAYABLES AND ACCRUALS

		As at 31 December		
		2020	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	*(a)*	6,153	5,868	5,586
Salaries and welfare		43,527	40,661	37,354
Other PRC taxes payable		827	656	517
Payables for purchases of property, plant and equipment		16,100	12,239	19,938
Payables for purchases of equity interests of subsidiaries		53,083	44,923	35,434
Other payables		32,699	34,094	33,231
Retirement benefit obligations *(Note 22)*		960	920	888
Deferred revenue		1,155	1,785	1,916
		154,504	141,146	134,864
Less: Portion classified as non-current liabilities		1,155	1,785	1,916
Portion classified as current liabilities		153,349	139,361	132,948

Note (a): Details of contract liabilities are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
In-patient services	6,153	5,868	5,586

21. INTEREST-BEARING BANK BORROWINGS

Target Group

	As at 31 December								
	2020			2021			2022		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank loans									
— unsecured	3.62–3.82	2021	154,288	3.50–3.35	2022	153,732	3.40	2023	120,124
Current portion of long-term bank loans									
— unsecured	—	—	—	—	—	—	2.50	2023	131
			154,288			153,732			120,255
Non-current									
Long-term bank loans									
— unsecured	—	—	—	—	—	—	2.50–3.00	2024–2027	6,027
			154,288			153,732			126,282

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year	154,288	153,732	120,255
In the second year	—	—	4,298
In the third to fifth years, inclusive	—	—	1,729
	154,288	153,732	126,282

Target Company

	As at 31 December								
	2020			2021			2022		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank loans									
— unsecured	—	—	—	—	—	—	3.40	2023	120,124

All the bank borrowings are unsecured and denominated in RMB.

22. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit plans

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Net defined benefit liability	2,710	1,360	1,257
Long-term termination benefits	6,130	5,568	5,051
	8,840	6,928	6,308
Less: Amounts due within 12 months included in other payables *(note 20)*	(960)	(920)	(888)
Amounts due after 12 months	7,880	6,008	5,420

The Target Group operates unfunded defined benefit plans for qualifying staff of Pingxiang Hospital, Fengcheng Hospital, Leping Hospital and Ruizhou Hospital. Under these plans, the qualifying staff are entitled to retirement benefits.

The plan exposes the Target Group to interest rate risk and the risk of changes in the life expectancy for the pensioners.

Movements in total estimated benefit payable are as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	8,960	8,840	6,928
Current service cost	24	20	—
Past service cost	600	780	(40)
Interest cost	270	280	150
Remeasurement gains in other comprehensive income	—	(1,500)	(8)
Remeasurement gains in the consolidated statements of profit or loss	(50)	(340)	343
Benefit paid	(964)	(1,152)	(1,065)
At end of the year	8,840	6,928	6,308

The remeasurement of the defined benefit obligations mainly represents actuarial losses arising from changes in demographic assumptions, financial assumptions and experiences adjustments.

The most recent actuarial valuations of the defined benefit obligations were carried out at the end of each of the Relevant Periods by Willis Towers Watson using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used in determining pension and long-term termination benefit obligations for the Target Group's plan as at the end of the each of the Relevant Periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
Discount rate	3.00%–3.25%	2.50%–3.00%	2.50%–3.00%
Expected rate of medical expenses increases	6%	6%	6%
Life expectation	86–90 years	87–90 years	87–88 years

A quantitative sensitivity analysis for significant assumptions as at the end of the Relevant Periods is shown below:

31 December 2020

	Increase in rate/ year	**Increase/ (decrease) in defined benefit obligations** *RMB'000*	**Decrease in rate/ year**	**Increase/ (decrease) in defined benefit obligations** *RMB'000*
Discount rate	0.25%	(180)	0.25%	190
Expected rate of medical expenses increases	1%	330	1%	(260)
Life expectation	1 year	120	1 year	(130)

31 December 2021

	Increase in rate/ year	**Increase/ (decrease) in defined benefit obligations** *RMB'000*	**Decrease in rate/ year**	**Increase/ (decrease) in defined benefit obligations** *RMB'000*
Discount rate	0.25%	(80)	0.25%	100
Expected rate of medical expenses increases	1%	10	1%	(10)
Life expectation	1 year	60	1 year	(70)

31 December 2022

	Increase in rate/ year	Increase/ (decrease) in defined benefit obligations *RMB'000*	Decrease in rate/ year	Increase/ (decrease) in defined benefit obligations *RMB'000*
Discount rate	0.25%	(27)	0.25%	29
Expected rate of medical expenses increases	1%	—	1%	—
Life expectation	1 year	63	1 year	(67)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the Relevant Period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

As at 31 December 2020, 2021 and 2022, the Target Group expected to make payments of RMB960,000, RMB920,000, RMB888,000, respectively, under the defined benefit plans in the next twelve months from the end of the Relevant Periods.

The average durations of the defined benefit plan obligation as at 31 December 2020, 2021 and 2022 are 11 years, 11 years and 11 years, respectively.

23. PROVISION

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	—	769	274
Additional provision	769	274	60
Amounts utilised during the year	—	(769)	(274)
At 31 December	769	274	60

24. SHARE CAPITAL

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Registered, issued and fully paid capital	200,000	200,000	200,000

The shareholders of the Target Company are Jiangxi Energy Group Co., Ltd. and China Resources Healthcare Technology Development (China) Co., Ltd., holding 20% and 80%, respectively.

25. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page 177 of this Historical Financial Information.

Actuarial changes reserve

The actuarial changes reserve comprises the remeasurements arising from changes in demographic assumptions, financial assumptions and experiences adjustments, as further explained in the accounting policy for defined benefit plan in note 2.4 to the Historical Financial Information.

Target Company

The amount of the Target Company's reserve and the movement therein for the Relevant Periods are presented as below:

	Accumulated losses *RMB'000*
At 1 January 2020	(777)
Loss and total comprehensive loss for the year	(14,620)
At 31 December 2020 and 1 January 2021	(15,397)
Profit and total comprehensive income for the year	2,238
At 31 December 2021 and 1 January 2022	(13,159)
Profit and total comprehensive income for the year	2,355
At 31 December 2022	(10,804)

26. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, the Target Group had non-cash additions to right-of-use assets and lease liabilities of RMB32,000, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank loans	Lease liabilities	Due to related parties
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020	65,099	—	487,484
Changes from financing cash flows	84,144	—	(221,927)
Interest expenses	5,045	—	13,580
At 31 December 2020	154,288	—	279,137
At 1 January 2021	154,288	—	279,137
Changes from financing cash flows	(5,551)	(13)	37,814
New lease	—	32	—
Interest expenses	4,995	1	11,098
At 31 December 2021	153,732	20	328,049
At 1 January 2022	153,732	20	328,049
Changes from financing cash flows	(31,703)	(17)	109,868
Interest expenses	4,253	1	11,100
At 31 December 2022	126,282	4	449,017

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	—	123	189
Within financing activities	—	12	16
	—	135	205

27. CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022, the Target Group did not have any contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Target Group.

28. COMMITMENTS

The Target Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Payable for construction in progress	—	—	10,218

29. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party transactions

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Group had the following material transactions with related parties during the Relevant Periods:

		Year ended 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
The immediate holding company:				
Interest expenses	*(i)*	13,005	11,098	11,019
Service fee expenses	*(ii)*	195	—	—
Fellow subsidiaries:				
Interest expenses	*(iii)*	—	—	1,053
Interest income	*(iii)*	—	—	238
Service fee expenses	*(iv)*	—	49	—
Purchase of goods	*(v)*	54,813	66,746	93,259

(i) The interest expenses were charged on loans from the immediate holding company and a fellow subsidiary, which were unsecured, bearing interest rates that are disclosed in note 29(b) of the Historical Financial Information.

(ii) The service fee expenses to the immediate holding company were based on mutually agreed terms between the relevant parties.

(iii) The interest income was charged on amounts due from a fellow subsidiary. The relevant deposits were unsecured and, bore interest at 1% per annum.

(iv) The service fee expenses to fellow subsidiaries were based on mutually agreed terms between the relevant parties.

(v) The purchase of goods from a fellow subsidiary was based on mutually agreed terms between the relevant parties.

(b) Outstanding balances with related parties

Target Group

Due from related parties

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature:			
Fellow subsidiaries	—	—	289
Non-trade in nature:			
Fellow subsidiaries	—	4,653	131,258
	—	4,653	131,547

As at 31 December 2022, the balances of RMB129,141,000 due from a fellow subsidiary bear interest at 1% per annum. Apart from the aforementioned balances, as at 31 December 2020, 2021 and 2022, the remaining amounts due from related parties are unsecured, interest-free and repayable on demand.

In the opinion of the directors, the expected credit loss on the above receivable balances was considered to be minimal.

Due to related parties

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature:			
Fellow subsidiaries	31,902	35,828	41,054
Non-trade in nature:			
The immediate holding company	279,137	329,051	328,753
Fellow subsidiaries	2,414	16,003	123,632
	281,551	345,054	452,385
	313,453	380,882	493,439

The Target Group entered into a loan agreement with the immediate holding company in 2019. As at 31 December 2020, 2021 and 2022, the principle balances due to the immediate holding company were RMB266,945,000, RMB266,945,000 and RMB266,945,000, respectively, which bear interest at the loan prime rate (more than five years) announced by the People's Bank of China minus 49 bp (1 bp = 0.01%). The loan maturity date is on 2026.

During the year ended 31 December 2021, the Target Group entered into a loan agreement with zero interest rate with the immediate holding company. As at 31 December 2021 and 2022, the principle balances due to the immediate holding company were RMB50,000,000 and RMB50,000,000, respectively. The loan maturity date is on 2027.

During the year ended 31 December 2022, the Target Group entered into a loan agreement with a fellow subsidiary bearing interest at a rate of 2%. As at 31 December 2022, the principle balance due to a fellow subsidiary was RMB120,000,000, and the loan maturity date is on 2027.

Except for the loans mentioned above, the remaining balances with related parties are unsecured, interest-free and repayable on demand.

Target Company

Due from related parties

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature:			
Fellow subsidiaries	—	—	289
Non-trade in nature:			
Fellow subsidiaries	—	321	307
	—	321	596

As at 31 December 2020, 2021 and 2022, the amounts due from related parties are unsecured, interest-free and repayable on demand. In the opinion of the directors, the expected credit losses on the above receivable balances were considered to be minimal.

Due to related parties

		As at 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature:				
The immediate holding company	*(i)*	279,137	328,049	327,964
Subsidiaries	*(ii)*	312,461	178,671	66,217
		591,598	506,720	394,181

(i) The Target Company entered into a loan agreement with the immediate holding company in 2019. As at 31 December 2020, 2021 and 2022, the principle balances due to the immediate holding company were RMB266,945,000, RMB266,945,000 and RMB266,945,000, respectively, which bear interest at the loan prime rate (more than five years) announced by the People's Bank of China minus 49 bp (1 bp = 0.01%). The loan maturity date is on 2026.

During the year ended 31 December 2021, the Target Company entered into another loan agreement with zero interest rate with the immediate holding company. As at 31 December 2021 and 2022, the principle balances due to the immediate holding company were RMB50,000,000 and RMB50,000,000, respectively. The loan maturity date is on 2027.

Except for the loans mentioned above, the remaining balances with the immediate holding company are unsecured, interest-free and repayable on demand.

(ii) At 31 December 2020, 2021 and 2022, the balances due to subsidiaries were the consolidated funds of the subsidiaries, of which the principal amounts were RMB311,686,000, RMB175,448,000 and RMB51,426,000, respectively, at the interest rate of 0.30%.

(c) Compensation of key management personnel of the Target Group

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	2,464	2,452	2,119
Post-employment benefits	58	236	145
Total compensation paid to key management personnel	2,522	2,688	2,264

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Target Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost:			
Trade receivables	146,219	135,627	156,275
Financial assets included in prepayments, other receivables and other assets	12,171	14,078	8,093
Due from related parties	—	—	129,430
Pledged deposits	10,260	13,314	17,727
Cash and cash equivalents	131,962	133,773	71,094
	300,612	296,792	382,619

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost:			
Trade and bills payables	318,623	229,963	236,852
Financial liabilities included in other payables and accruals	101,882	91,256	88,603
Interest-bearing bank borrowings	154,288	153,732	126,282
Due to related parties	313,453	380,882	493,439
Lease liabilities	—	20	4
	888,246	855,853	945,180

Target Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost:			
Trade receivables	3,384	2,820	1,382
Financial assets included in prepayments, other receivables and other assets	—	2	2
Amounts due from a related party	—	321	596
Cash and cash equivalents	101,830	12,016	12,811
	105,214	15,159	14,791

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost:			
Financial liabilities included in other payables and accruals	53,549	45,328	36,035
Interest-bearing bank borrowings	—	—	120,124
Due to related parties	591,598	506,720	394,181
	645,147	552,048	550,340

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, other receivables and other assets, due from related parties, pledged deposits, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, the current portions of amounts due to related parties and interest-bearing bank borrowings, and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Target Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair values of the non-current portion of interest-bearing bank borrowings and amounts due to related parties have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables, other receivables, bank borrowings and other payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Target Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's long-term debt obligations with floating interest rates.

The Target Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Target Group's interest-bearing bank borrowings, pledged deposits and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

If there would be a general increase/decrease in the market interest rates by one percentage point, with all other variables held constant, the Target Group's consolidated pre-tax profit would have decreased/increased by approximately RMB1,422,000, RMB1,471,000 and RMB888,000 as at 31 December 2020, 2021 and 2022 respectively, and the Target Company's consolidated profit/loss would have decreased/increased by approximately RMB1,018,000, RMB190,000 and RMB128,000 as at 31 December 2020, 2021 and 2022, respectively. The sensitivity analysis above has been determined assuming that the change in market interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those financial instruments in existence at that date.

(b) Credit risk

The Target Group trades only with recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

Target Group

	As at 31 December 2020				
	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	197,972	197,972
Financial assets included in prepayments and other receivables					
— Normal**	12,171	—	—	—	12,171
— Doubtful**	—	744	—	—	744
Pledged deposits					
— Not yet past due	10,260	—	—	—	10,260
Cash and cash equivalents					
— Not yet past due	131,962	—	—	—	131,962
	154,393	744	—	197,972	353,109

	As at 31 December 2021				
	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	195,309	195,309
Financial assets included in prepayments and other receivables					
— Normal**	14,078	—	—	—	14,078
— Doubtful**	—	817	—	—	817
Pledged deposits					
— Not yet past due	13,314	—	—	—	13,314
Cash and cash equivalents					
— Not yet past due	133,773	—	—	—	133,773
	161,165	817	—	195,309	357,291

	As at 31 December 2022				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	222,667	222,667
Financial assets included in prepayments and other receivables					
— Normal**	8,093	—	—	—	8,093
— Doubtful**	—	949	—	—	949
Due from related parties					
— Normal	129,430	—	—	—	129,430
Pledged deposits					
— Not yet past due	17,727	—	—	—	17,727
Cash and cash equivalents					
— Not yet past due	71,094	—	—	—	71,094
	226,344	949	—	222,667	449,960

Target Company

Maximum exposure and year-end staging

	As at 31 December 2020				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	—	—	3,760	3,760
Cash and cash equivalents					
— Not yet past due	101,830	—	—	—	101,830
	101,830	—	—	3,760	105,590

	As at 31 December 2021				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	3,134	3,134
Financial assets included in prepayments and other receivables					
— Normal**	2	—	—	—	2
Due from related parties					
— Normal**	321	—	—	—	321
Cash and cash equivalents					
— Not yet past due	12,016	—	—	—	12,016
	12,339	—	—	3,134	15,473

	As at 31 December 2022				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	1,856	1,856
Financial assets included in prepayments and other receivables					
— Normal**	2	—	—	—	2
Due from related parties					
— Normal**	596	—	—	—	596
Cash and cash equivalents					
— Not yet past due	12,811	—	—	—	12,811
	13,409	—	—	1,856	15,265

* For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 16 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and due from related parties is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(c) Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Target Group's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Target Group

	As at 31 December 2020				
	Within 1 year/ repayable on demand	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	318,623	—	—	—	318,623
Financial liabilities included in other payables and accruals	101,882	—	—	—	101,882
Interest-bearing bank borrowings	155,640	—	—	—	155,640
Due to related parties	45,288	10,971	32,914	277,916	367,089
	621,433	10,971	32,914	277,916	943,234

	As at 31 December 2021				
	Within 1 year/ repayable on demand	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	229,963	—	—	—	229,963
Financial liabilities included in other payables and accruals	91,256	—	—	—	91,256
Interest-bearing bank borrowings	155,461	—	—	—	155,461
Due to related parties	68,458	10,971	316,945	—	396,374
Lease liabilities	17	4	—	—	21
	545,155	10,975	316,945	—	873,075

	As at 31 December 2022				
	Within 1 year/ repayable on demand	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	236,852	—	—	—	236,852
Financial liabilities included in other payables and accruals	88,603	—	—	—	88,603
Interest-bearing bank borrowings	121,298	5,040	1,453	—	127,791
Due to related parties	56,899	13,371	455,934	—	526,204
Lease liabilities	4	—	—	—	4
	503,656	18,411	457,387	—	979,454

Target Company

	As at 31 December 2020				
	Within 1 year/ repayable on demand	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	53,549	—	—	—	53,549
Due to related parties	323,432	10,971	32,914	277,916	645,233
	376,981	10,971	32,914	277,916	698,782

	As at 31 December 2021				
	Within 1 year/ repayable on demand	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	45,328	—	—	—	45,328
Due to related parties	189,642	10,971	316,945	—	517,558
	234,970	10,971	316,945	—	562,886

	As at 31 December 2022				
	Within 1 year/ repayable on demand	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	36,035	—	—	—	36,035
Interest-bearing bank borrowings	120,124	—	—	—	121,146
Due to related parties	77,189	10,971	327,916	—	416,075
	233,348	10,971	327,916	—	573,256

(d) Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

33. EVENTS AFTER THE RELEVANT PERIODS

As at the date of approval of the Historical Financial Information, the Target Group did not have any significant events subsequent to 31 December 2022.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 31 December 2022.

*The following discussion and analysis should be read in conjunction with the financial information of each of Liaoning CR Healthcare Group, Shenzhen CR Healthcare and JE Subject Group for the years ended 31 December 2020, 2021 and 2022 (the "**Relevant Periods**"), as set out in Appendices II, III and IV to this circular.*

1. LIAONING CR HEALTHCARE GROUP

Business and Financial Review

Liaoning CR Healthcare is a company incorporated in the PRC with limited liability. Liaoning CR Healthcare Group is principally engaged in the operation and management of hospitals, clinics and medical facilities, and the provision of related extended services in the PRC. After the Completion, Liaoning CR Healthcare will be held indirectly as to 76.1% by the Company.

As at December 31, 2022, Liaoning CR Healthcare Group comprised 5 grade III hospitals (including 4 grade IIIA hospitals), 11 grade II hospitals (including 10 grade IIA hospitals) and 11 grade I hospitals, among which 3 hospitals were clinical colleges of medical schools and 1 was a teaching hospital of a medical school. It had a total of approximately 9,174 beds and approximately 8,827 employees (including about 429 chief doctors, 656 deputy chief doctors, 865 attending doctors and 449 resident doctors), providing basic medical services to a population of nearly 16.375 million in the Liaoning region; in 2022, the number of annual discharges was over 224,000 and the number of annual outpatient visits was over 8,124,000. It had 21 national standardized professional training bases for resident doctors, 4 pharmaceutical clinical trial organizations (covering 6 specialties), 17 provincial key specialties and 31 municipal key specialties, and its disciplines such as neurology, neurosurgery, cardiology, emergency medicine and general surgery have reached a leading level in the region. In particular, the Fushun Mining Bureau General Hospital of Liaoning Health Industry Group and Tie Coal Group General Hospital of Liaoning Health Industry Group, as the leading hospitals in the locality, have a good reputation among patients. Liaoning CR Healthcare Group is expected to continue to provide healthcare services through its hospitals, clinics and medical facilities in the PRC.

Key financial indicators	**For the year ended 31 December**		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	2,782,819	3,121,942	3,141,813
Gross profit	429,568	586,720	574,362
Gross profit margin	15%	19%	18%
Profit before tax	167,850	222,489	353,937
Profit after tax	157,658	206,493	330,799

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	3,139,201	3,407,753	3,551,853
Total liabilities	2,297,685	2,352,975	2,064,150
Net assets	841,516	1,054,778	1,487,703
Bank borrowings	478,445	418,559	181,225
Cash and cash equivalents	575,007	610,449	39,668

Revenue

Liaoning CR Healthcare Group recorded a revenue of approximately RMB2,783 million, RMB3,122 million and RMB3,142 million, respectively, for each of the years ended 31 December 2020, 2021 and 2022.

Liaoning CR Healthcare Group's revenue:

(a) increased by approximately 12% from approximately RMB2,783 million for the year ended 31 December 2020 to approximately RMB3,122 million for the year ended 31 December 2021. Such increase in revenue was mainly because the hospitals increased their number of patient visits by strengthening the establishment of disciplines and improving the quality of patient services in 2021.

(b) increased by approximately 1% from approximately RMB3,122 million for the year ended 31 December 2021 to approximately RMB3,142 million for the year ended 31 December 2022. The slowdown in revenue growth was mainly due to the adjustments to work arrangements on infection prevention and control by some of the hospitals in 2022.

Administrative Expenses

During the Relevant Periods, the administrative expenses of Liaoning CR Healthcare Group mainly comprised (i) staff costs; (ii) depreciation and amortisation; and (iii) maintenance cost.

Liaoning CR Healthcare Group's administrative expenses:

(a) increased by approximately 64% from approximately RMB226 million for the year ended 31 December 2020 to approximately RMB370 million for the year ended 31 December 2021, mainly due to the provision of RMB98 million of retirement benefit.

(b) decreased by approximately 32% from approximately RMB370 million for the year ended 31 December 2021 to approximately RMB250 million for the year ended 31 December 2022, mainly because of the provision of retirement benefit in 2021 which significantly increased the administrative expenses in 2021.

Finance Costs

During the Relevant Periods, the financial costs of Liaoning CR Healthcare Group mainly comprised (i) interest on bank borrowings; (ii) interest on lease liabilities; (iii) interest on defined benefit obligations; and (iv) others.

Liaoning CR Healthcare Group's finance costs:

(a) decreased by approximately 48% from approximately RMB54 million for the year ended 31 December 2020 to approximately RMB28 million for the year ended 31 December 2021, mainly due to decrease in bank borrowings and return of finance lease; and

(b) decreased by approximately 15% from approximately RMB28 million for the year ended 31 December 2021 to approximately RMB24 million for the year ended 31 December 2022, mainly due to decrease in bank borrowings.

Profit for the Year

Liaoning CR Healthcare Group's profit after tax for the year:

(a) increased by approximately 31% from approximately RMB158 million for the year ended 31 December 2020 to approximately RMB206 million for the year ended 31 December 2021, mainly due to revenue growth.

(b) increased by approximately 60% from approximately RMB206 million for the year ended 31 December 2021 to approximately RMB331 million for the year ended 31 December 2022, mainly due to the continuous improvement of management efficiency, adjustment of income structure, and control of costs.

Liquidity and Financial Resources

Funding and Treasury Policies

Liaoning CR Healthcare Group finances its working capital primarily through a combination of funds generated from operations and bank borrowings. The finance department of Liaoning CR Healthcare is responsible for managing the capital income and expenditure of the Liaoning CR Healthcare Group in accordance with the funding and treasury policies of CR Healthcare, the primary objectives of which are to prevent its capital risks and ensure the safety of its funds. During the Relevant Periods, Liaoning CR Healthcare carried out capital pooling (資金歸集) pursuant to the funds management system of CR Healthcare. After the Completion of the Acquisitions, Liaoning CR Healthcare will follow and adhere to the funding and treasury policies of the Group.

Cash and Cash Equivalents

The balance of cash and cash equivalents of Liaoning CR Healthcare Group as at 31 December 2020, 2021 and 2022 was approximately RMB575 million, RMB610 million, and RMB40 million, respectively. The cash and cash equivalents of Liaoning CR Healthcare Group were mainly denominated in RMB.

Bank and Other Borrowings

As at 31 December 2020, 2021 and 2022, Liaoning CR Healthcare Group had bank borrowings of approximately RMB478 million, RMB419 million, and RMB181 million, respectively, all of which were denominated in RMB. The following table sets out a breakdown of Liaoning CR Healthcare Group's bank borrowings as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
— Bank Loans	478,445	418,559	177,625
Non-Current:			
— Bank Loans	—	—	3,600
Total	478,445	418,559	181,225

All of Liaoning CR Healthcare Group's bank loans were interest bearing and at fixed interest rates during the Relevant Periods. The effective interest rates of bank loans during the Relevant Periods were 3.3–5.19%, 3.5–3.75%, and 2.5–3.65% per annum, respectively. Please refer to note 22 to the accountants' report of Liaoning CR Healthcare Group in Appendix II to this circular for the maturity analysis of Liaoning CR Healthcare Group's bank borrowings. As at 31 December 2020, 2021 and 2022, Liaoning CR Healthcare Group did not have any other borrowings.

Gearing Ratio

The gearing ratio of Liaoning CR Healthcare Group, which was calculated on the basis of its total liabilities over total equity, was approximately 2.73, 2.23 and 1.39 as at 31 December 2020, 2021 and 2022, respectively.

Charge on Assets

As at 31 December 2020, 2021 and 2022, Liaoning CR Healthcare Group did not have any charge on its assets.

Foreign Exchange Exposure

Liaoning CR Healthcare Group conducts its business in the PRC and its business transactions are all denominated in RMB. There was no financial arrangement for hedging purpose in respect of Liaoning CR Healthcare Group for the financial years ended December 2020, 2021, and 2022. Therefore, Liaoning CR Healthcare Group has no foreign exchange risk exposure.

Significant Investments

During the Relevant Periods, there were no significant investments held by Liaoning CR Healthcare Group.

Material Acquisitions and Disposals

During the Relevant Periods, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by Liaoning CR Healthcare Group.

Contingent Liabilities

As at 31 December 2020, 2021 and 2022, respectively, Liaoning CR Healthcare Group did not have any material contingent liabilities.

Employees

As at 31 December 2020, 2021 and 2022, Liaoning CR Healthcare Group had a total number of approximately 9,201, 8,917 and 8,827 employees, respectively, based in the PRC. During the Relevant Periods, Liaoning CR Healthcare Group's staff costs mainly comprised wages and salaries, pension scheme contributions and other staff benefits, and amounted to approximately RMB962 million, RMB1,153 million, and RMB1,112 million, respectively.

The remuneration of employees of Liaoning CR Healthcare Group was in line with market trends and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed every year. Liaoning CR Healthcare Group had provided mandatory social insurance and other benefits to its employees.

2. SHENZHEN CR HEALTHCARE

Business and Financial Review

Shenzhen CR Healthcare is a company incorporated in the PRC with limited liability and is principally engaged in the supply chain management services in the PRC. After the Completion, Shenzhen CR Healthcare will be held indirectly as to 100% by the Company.

Key financial indicators	For the year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Revenue	10,148	37,673
Gross profit	5,471	14,639
Gross profit margin	54%	39%
Profit before tax	5,286	14,229
Profit after tax	4,486	11,528

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Total assets	12,682	23,083
Total liabilities	8,196	7,069
Net assets	4,486	16,014
Cash and cash equivalents	1,925	11,706

Revenue

Shenzhen CR Healthcare recorded a revenue of approximately RMB10 million and RMB38 million, respectively, for each of the years ended 31 December 2021 and 2022.

Shenzhen CR Healthcare's revenue increased by approximately 271% from approximately RMB10 million for the year ended 31 December 2021 to approximately RMB38 million for the year ended 31 December 2022. Such increase in revenue was mainly attributable to the expansion of supply chain management business.

Administrative Expenses

During the Relevant Periods, the administrative expenses of Shenzhen CR Healthcare mainly comprised (i) staff costs; (ii) office rent; and (iii) travel expense.

Shenzhen CR Healthcare's administrative expenses increased by approximately 187% from approximately RMB0.19 million for the year ended 31 December 2021 to approximately RMB0.53 million for the year ended 31 December 2022, mainly due to business expansion.

Finance Costs

During the Relevant Periods, Shenzhen CR Healthcare did not have any finance costs.

Profit for the Year

Shenzhen CR Healthcare's profit after tax for the year increased by approximately 157% from approximately RMB4.49 million for the year ended 31 December 2021 to approximately RMB11.53 million for the year ended 31 December 2022, mainly due to business expansion.

Liquidity and Financial Resources

Funding and Treasury Policies

Shenzhen CR Healthcare finances its working capital primarily through funds generated from operations. The finance department of Shenzhen CR Healthcare is responsible for managing its capital income and expenditure in accordance with the funding and treasury policies of CR Healthcare, the primary objectives of which are to prevent its capital risks and ensure the safety of its funds.

Cash and Cash Equivalents

The balance of cash and cash equivalents of Shenzhen CR Healthcare as at 31 December 2021 and 2022 was approximately RMB2 million and RMB12 million, respectively. The cash and cash equivalents of Shenzhen CR Healthcare were mainly denominated in RMB.

Bank and Other Borrowings

As at 31 December 2021 and 2022, Shenzhen CR Healthcare did not have any bank and other borrowings.

Gearing Ratio

The gearing ratio of Shenzhen CR Healthcare, which was calculated on the basis of its total liabilities over total equity, was approximately 1.83 and 0.44 as at 31 December 2021 and 2022, respectively.

Charge on Assets

As at 31 December 2021 and 2022, Shenzhen CR Healthcare did not have any charge on its assets.

Foreign Exchange Exposure

Shenzhen CR Healthcare conducts its business in the PRC and its business transactions are all denominated in RMB. There was no financial arrangement for hedging purpose in respect of Shenzhen CR Healthcare for the financial years ended December 2021 and 2022. Therefore, Shenzhen CR Healthcare has no foreign exchange risk exposure.

Significant Investments

During the Relevant Periods, there were no significant investments held by Shenzhen CR Healthcare.

Material Acquisitions and Disposals

During the Relevant Periods, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by Shenzhen CR Healthcare.

Contingent Liabilities

As at 31 December 2021 and 2022, respectively, Shenzhen CR Healthcare did not have any material contingent liabilities.

Employees

As at 31 December 2021 and 2022, Shenzhen CR Healthcare had a total number of approximately 9 and 9 employees, respectively, based in the PRC. During the Relevant Periods, Shenzhen CR Healthcare's staff costs mainly comprised wages and salaries, pension scheme contributions and other staff benefits, and amounted to approximately RMB3.57 million and RMB13.05 million, respectively.

The remuneration of employees of Shenzhen CR Healthcare was in line with market trends and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed every year. Shenzhen CR Healthcare had provided mandatory social insurance and other benefits to its employees.

3. JE SUBJECT GROUP

Business and Financial Review

The JE Subject is a company incorporated in the PRC with limited liability and is an investment holding company. The JE Subject Group is principally engaged in the operation and management of hospitals, clinics and medical facilities in the PRC. After the Completion, The JE Subject will be held indirectly as to 80% by the Company.

As at December 31, 2022, the JE Subject Group comprised 1 grade IIIA hospital, 4 grade II hospitals (including 1 grade IIA hospital) and 1 grade I hospital, among which 1 hospital was an affiliated hospital of a medical school. It had a total of approximately 2,370 beds and approximately 2,092 employees (including about 16 chief doctors, 135 deputy chief doctors, 168 attending doctors and 85 resident doctors), providing basic medical services to a population of nearly 6.4 million in the Jiangxi region; in 2022, the number of annual discharges was over 62,900 and the number of annual outpatient visits was over 727,500. It had 1 pharmaceutical clinical trial organization (covering 2 specialties), 1 provincial key specialty and 3 municipal key specialties, featuring disciplines such as Chinese medical nephrology, medical care and rehabilitation, where its featured disciplines have a good reputation among patients in the locality. The JE Subject Group is expected to continue to provide healthcare services through its hospitals, clinics and medical facilities in the PRC.

Key financial indicators	**For the year ended 31 December**		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	635,238	690,651	694,135
Gross profit	63,890	69,519	71,421
Gross profit margin	10%	10%	10%
Profit before tax	6,142	23,243	22,925
Profit after tax	6,142	23,243	22,925

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	1,100,445	1,087,696	1,195,525
Total liabilities	949,517	912,025	996,921
Net assets	150,928	175,671	198,604
Bank borrowings	154,288	153,732	126,282
Cash and cash equivalents	131,962	133,773	71,094

Revenue

The JE Subject Group recorded a revenue of approximately RMB635 million, RMB691 million and RMB694 million, respectively, for each of the years ended 31 December 2020, 2021 and 2022.

The JE Subject Group's revenue:

(a) increased by approximately 9% from approximately RMB635 million for the year ended 31 December 2020 to approximately RMB691 million for the year ended 31 December 2021. Such increase in revenue was mainly attributable to the hospitals strengthening their external publicity and improving the quality of patient services in 2021.

(b) increased by approximately 1% from approximately RMB691 million for the year ended 31 December 2021 to approximately RMB694 million for the year ended 31 December 2022. The slowdown in revenue growth is mainly due to the adjustments to work arrangements on infection prevention and control by the hospitals in 2022.

Administrative Expenses

During the Relevant Periods, the administrative expenses of the JE Subject Group mainly comprised (i) staff costs; (ii) depreciation and amortization; and (iii) technical service fee.

The JE Subject Group's administrative expenses:

(a) decreased by approximately 3% from approximately RMB30.0 million for the year ended 31 December 2020 to approximately RMB29.2 million for the year ended 31 December 2021, mainly due to better operating expense control.

(b) decreased by approximately 2% from approximately RMB29.2 million for the year ended 31 December 2021 to approximately RMB28.6 million for the year ended 31 December 2022, mainly due to the decrease in staff costs.

Finance Costs

During the Relevant Periods, the financial costs of the JE Subject Group mainly comprised (i) interest on bank loans; (ii) interest on loans from the immediate holding company; (iii) interest on lease liabilities; and (iv) others.

The JE Subject Group's finance costs:

(a) decreased by approximately 13% from approximately RMB19 million for the year ended 31 December 2020 to approximately RMB16.4 million for the year ended 31 December 2021, mainly due to decrease in bank borrowings and shareholder borrowings; and

(b) decreased by approximately 5% from approximately RMB16.4 million for the year ended 31 December 2021 to approximately RMB15.5 million for the year ended 31 December 2022, mainly due to decrease in bank borrowings.

Profit for the Year

The JE Subject Group's profit after tax for the year:

(a) increased by approximately 278% from approximately RMB6 million for the year ended 31 December 2020 to approximately RMB23 million for the year ended 31 December 2021, mainly due to revenue growth and control of administrative expenses.

(b) decreased by approximately 1% from approximately RMB23 million for the year ended 31 December 2021 to approximately RMB22.9 million for the year ended 31 December 2022, mainly due to the adjustment of income structure.

Liquidity and Financial Resources

Funding and Treasury Policies

The JE Subject Group finances its working capital primarily through a combination of funds generated from operations and bank and other borrowings. The finance department of the JE Subject is responsible for managing the capital income and expenditure of the JE Subject Group in accordance with the funding and treasury policies of CR Healthcare, the primary objectives of which are to prevent its capital risks and ensure the safety of its funds. During the Relevant Periods, the JE Subject carried out capital pooling (資金歸集) pursuant to the funds management system of CR Healthcare. After the Completion of the Acquisitions, the JE Subject will follow and adhere to the funding and treasury policies of the Group.

Cash and Cash Equivalents

The balance of cash and cash equivalents of the JE Subject Group as at 31 December 2020, 2021 and 2022 was approximately RMB132 million, RMB134 million, and RMB71 million, respectively. The cash and cash equivalents of the JE Subject Group were mainly denominated in RMB.

Bank and Other Borrowings

As at 31 December 2020, 2021 and 2022, the JE Subject Group had bank borrowings of approximately RMB154 million, RMB154 million, and RMB126 million, respectively, all of which were denominated in RMB. The following table sets out a breakdown of the JE Subject Group's bank borrowings as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
— Bank Loans	154,288	153,732	120,255
Non-Current:			
— Bank Loans	—	—	6,027
— Related parties loans	279,137	328,049	449,017
Total	433,425	481,781	575,299

All of the JE Subject Group's bank loans were interest bearing and at fixed interest rates during the Relevant Periods. The effective interest rates of bank loans during the Relevant Periods were 3.62–3.82%, 3.35–3.5%, and 2.5–3.4% per annum, respectively. The JE Subject Group's related parties loans bore fixed rate interest or variable rate interest. As at 31 December 2020, 2021 and 2022, the proportion of the JE Subject Group's fixed rate interest related parties loan to all its related parties loans was 0%, 16% and 39%, respectively. The effective interest rates of related parties loans during the Relevant Periods were 4.16%–4.99%, 0%–4.16% and 0–4.11%, respectively. Please refer to notes 21 and 29 to the accountants' report of the JE Subject Group in Appendix IV to this circular for the maturity analysis of the JE Subject Group's bank and other borrowings.

Gearing Ratio

The gearing ratio of the JE Subject Group, which was calculated on the basis of its total liabilities over total equity, was approximately 6.29, 5.19 and 5.02 as at 31 December 2020, 2021 and 2022, respectively.

Charge on Assets

As at 31 December 2020, 2021, and 2022, the JE Subject Group did not have any charge on its assets.

Foreign Exchange Exposure

The JE Subject Group conducts its business in the PRC and its business transactions are all denominated in RMB. There was no financial arrangement for hedging purpose in respect of the JE Subject Group for the financial years ended December 2020, 2021, and 2022. Therefore, the JE Subject Group has no foreign exchange risk exposure.

Significant Investments

During the Relevant Periods, there were no significant investments held by the JE Subject Group.

Material Acquisitions and Disposals

During the Relevant Periods, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the JE Subject Group.

Contingent Liabilities

As at 31 December 2020, 2021 and 2022, respectively, the JE Subject Group did not have any material contingent liabilities.

Employees

As at 31 December 2020, 2021 and 2022, the JE Subject Group had a total number of approximately 2,240, 2,107 and 2,092 employees, respectively, based in the PRC. During the Relevant Periods, the JE Subject Group's staff costs mainly comprised wages and salaries, pension scheme contributions and other staff benefits, and amounted to approximately RMB227 million, RMB240 million, and RMB249 million, respectively.

The remuneration of employees of the JE Subject Group was in line with market trends and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed every year. The JE Subject Group had provided mandatory social insurance and other benefits to its employees.

The information set out below does not form part of the accountants' reports prepared by the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, set out in Appendix II "Financial Information of Liaoning CR Healthcare Group", Appendix III "Financial Information of Shenzhen CR Healthcare" and Appendix IV "Financial Information of JE Subject Group" to this circular and is included herein for information only. The unaudited pro forma financial information set out below should be read in conjunction with Appendix I "Financial Information of the Group", Appendix II "Financial Information of Liaoning CR Healthcare Group", Appendix III "Financial Information of Shenzhen CR Healthcare" and Appendix IV "Financial Information of JE Subject Group" to this circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Introduction

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities (the "**Unaudited Pro Forma Financial Information**") of China Resources Medical Holdings Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") as enlarged by the proposed acquisitions of 76.1% equity interest in China Resources Healthcare (Liaoning) Group Co., Ltd. ("**Liaoning CR Healthcare**") and its subsidiaries; 100.0% equity interest in Shenzhen China Resources Healthcare Industry Investment Co., Limited ("**Shenzhen CR Healthcare**"); and 80.0% equity interest in China Resources Healthcare (Jiangxi) Co., Limited ("**JE Subject**") and its subsidiaries (collectively the "**Target Group**") (the Group and the Target Group are hereafter collectively referred as the "**Enlarged Group**") (the "**Proposed Acquisitions**"). The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and is solely for the purpose to illustrate the effect of the Proposed Acquisitions on the Enlarged Group's assets and liabilities as at 31 December 2022 as if the Proposed Acquisitions had been completed on 31 December 2022.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on a number of assumptions, estimates, uncertain and currently available information and is provided for illustration purposes only, and as a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the assets and liabilities of the Enlarged Group had the Proposed Acquisitions been completed on 31 December 2022 or any future date.

The Unaudited Pro Forma Financial Information has been prepared based on the consolidated statement of financial position of the Group as at 31 December 2022, which has been extracted from the published annual results announcement for the year ended 31 December 2022, and the audited statements of financial position of the Target Group as at

31 December 2022, which has been extracted from the accountants' report of the Target Group as set out in Appendix II, III and IV to this circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group and the financial information of the Target Group and other financial information included elsewhere in this circular.

(2) Unaudited Pro Forma Financial Information of the Enlarged Group

	The Group as at 31 December 2022	The Target Group as at 31 December 2022					Unaudited pro forma of the Enlarged Group
		Shenzhen CR Healthcare	Liaoning CR Healthcare	JE Subject	Pro forma adjustments		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*			
NON-CURRENT ASSETS							
Property, plant and equipment	1,933,225	—	1,694,112	414,298	896,032	5	4,937,667
Right-of-use assets	357,708	—	61,242	5,287	5,747	5	429,984
Goodwill	2,339,498	—	—	351,961	1,048,742	5	3,740,201
Other intangible assets	68,657	—	43,764	5,335	926	5	118,682
Receivables from invest-operate-transfer ("**IOT**") hospitals	980,453	—	—	—	—		980,453
Prepayment to related parties	54,965	—	3,166	2,117	—		60,248
Other financial assets at amortised cost	65,604	—	—	—	—		65,604
Prepayments, deposits and other receivables (non-current portion)	526,586	—	86,341	2,950	2,080	5	617,957
Deferred tax assets	26,303	—	—	—	—		26,303
Other non-current assets	76,269	—	—	—	—		76,269
Investment in the Target Group	—	—	—	—	3,639,143	5	—
					(3,639,143)	5	
Total non-current assets	6,429,268	—	1,888,625	781,948	1,953,527		11,053,368
CURRENT ASSETS							
Inventories	217,347	—	120,286	29,842	—		367,475
Trade and bills receivables	796,107	1,238	537,050	156,275	(9,515)	6	1,481,155
Contract assets	21,872	—	—	—	—		21,872
Prepayments, deposits and other receivables	312,842	218	56,282	9,209	—		378,551
Due from related parties	22,670	9,921	909,942	129,430	(936,035)	8	135,928
Other financial assets at amortised cost	324,301	—	—	—	—		324,301
Restricted and pledged deposits	1,152	—	—	17,727	—		18,879
Cash and cash equivalents	2,977,543	11,706	39,668	71,094	(2,402,125)	5&8	697,886
Total current assets	4,673,834	23,083	1,663,228	413,577	(3,347,675)		3,426,047

	The Group as at 31 December 2022	The Target Group as at 31 December 2022					
		Shenzhen CR Healthcare	Liaoning CR Healthcare	JE Subject	Pro forma adjustments		Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*			
CURRENT LIABILITIES							
Trade and bills payables	916,921	—	580,524	236,852	—		1,734,297
Other payables and accruals	745,871	6,886	813,287	132,948	(9,515)	6&7	1,689,477
Due to related parties	147,007	183	121,881	44,422	—		313,493
Interest-bearing bank and other borrowings	1,012,756	—	177,625	120,255	750,000	5	2,060,636
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	2,890,709	7,069	1,701,566	534,481	740,485		5,874,310
NET CURRENT ASSETS/ (LIABILITIES)	1,783,125	16,014	(38,338)	(120,904)	(4,088,160)		(2,448,263)
TOTAL ASSETS LESS CURRENT LIABILITIES	8,212,393	16,014	1,850,287	661,044	(2,134,633)		8,605,105
NON-CURRENT LIABILITIES							
Leased liabilities	32,189	—	3,117	—	—		35,306
Retirement benefit obligations	51,763	—	317,675	5,420	—		374,858
Deferred tax liabilities	71,316	—	—	—	—		71,316
Provision	1,431	—	22,393	60	—		23,884
Deferred income	23,734	—	—	—	—		23,734
Interest-bearing bank and other borrowings	1,007,636	—	3,600	6,027	—		1,017,263
Due to related company	—	—	—	449,017	(449,017)	8	—
Other payables and accruals (non-current portion)	26,271	—	15,799	1,916	—		43,986
Total non-current liabilities	1,214,340	—	362,584	462,440	(449,017)		1,590,347
NET ASSETS	6,998,053	16,014	1,487,703	198,604	(1,685,616)		7,014,758

(3) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The consolidated statement of assets and liabilities of the Group as at 31 December 2022 has been extracted from the published annual results announcement dated 28 March 2023.

2. The audited statement of assets and liabilities of Shenzhen CR Healthcare as at 31 December 2022 are extracted from the audited statement of financial position of Shenzhen CR Healthcare as set out in the accountants' report of Shenzhen CR Healthcare in Appendix III to this circular.

3. The audited consolidated statement of assets and liabilities of Liaoning CR Healthcare as at 31 December 2022 are extracted from the audited consolidated statement of financial position of Liaoning CR Healthcare as set out in the accountants' report of Liaoning CR Healthcare in Appendix II to this circular.

4. The audited consolidated statement of assets and liabilities of JE Subject as at 31 December 2022 has been extracted from the accountants' report of JE Subject as set out in Appendix IV to this circular.

5. Pursuant to the acquisition agreement (the "**Agreement**") entered into by (i) China Resource Hospital Investment (China) Co., Ltd.* ("**CRH Investment**" or the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, (ii) LR Management Company Limited* ("**Liaorun HK**" or the "**Vendor I**"), a related-party of the Company, and China Resources Healthcare Technology Development (China) Co., Ltd.* ("**CRT**" or "**Vendor II**"), a related-party of the Company, and (iv) the Target Group on 22 February 2023, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the 76.1% equity interest in Liaoning CR Healthcare and its subsidiaries, the 100.0% equity interest in Shenzhen CR Healthcare, and the 80.0% equity interest in JE Subject and its subsidiaries, for a cash consideration of RMB3,639,143,000 (the "**Consideration**"). The excess of the Consideration over cash and cash equivalents will be covered by a short-term interest-bearing bank borrowing of RMB750,000,000. The completion of the Proposed Acquisitions is dependent on the fulfilment of a number of conditions, among others, the conditions precedent of the Agreement, the reporting, announcement, circular and the approval from the shareholders of the Company.

   Upon completion of the Proposed Acquisitions, Liaoning CR Healthcare will become a 76.1% owned subsidiary of the Company, Shenzhen CR Healthcare will become an 100.0% owned subsidiary of the Company, and JE Subject will become an 80.0% owned subsidiary of the Company.

   For the purpose of the Unaudited Pro Forma Financial Information, the identifiable assets and liabilities of the Target Group are measured at carrying amounts as at 31 December 2022.

As the Company and the Target Group are under the common control of China Resources Healthcare Group Limited ("CRH") both before and after the date of the Proposed Acquisitions, and that such control by CRH is not transitory. Thus, the Proposed Acquisitions has been accounted for as business combinations under common control and in a manner similar to a pooling of interests in the preparation of the unaudited pro forma financial information of the Enlarged Group. Accordingly, the net assets of the Target Group, including respective goodwill and fair value adjustments to property, plant and equipment and right of use assets attributable to the Target Group, are combined based on the existing book values of the Target Group. No amount is recognised in respect of goodwill or gain on bargain purchase arising from the excess of the Group's interest in the net fair value of the Target Group's identifiable assets, liabilities and contingent liabilities over the investment cost at the time of the common control combination, to the extent of the continuation of the controlling party's interest. Hence, the above combination difference is dealt with in the capital reserve of the Enlarged Group.

The adjustment represents the recognition of goodwill and net carrying amounts of the fair value adjustments on the property, plant and equipment and right of use assets attributable to the Target Group and the elimination of investment cost in the Target Group against the Target Group's issued capital and reserves.

6. The adjustment represents the eliminations of the intercompany balances between the Group and entities comprising the Target Group as at 31 December 2022.

7. The purpose of the Unaudited Pro Forma Financial Information, the transaction expenses, such as professional services fees, that are directly attributable to the Proposed Acquisitions are estimated to be RMB10,260,000 and are charged to profit or loss and credited to other payables and accruals as if the Proposed Acquisitions had completed on 31 December 2022.

8. The adjustment represents the amounts due from and due to related parties are settled as if the Proposed Acquisitions had completed on 31 December 2022. According to the Agreement, the claims and liabilities due from and due to related parties shall be settled by the assignor or its related parties within 10 working days upon completion of the Proposed Acquisitions.

9. Apart from the above, no other adjustment has been made to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 December 2022.

* *The English names of these companies referred to in the notes to the Unaudited Pro Forma Financial Information of The Enlarged Group represent management's best effort to translate the Chinese names of those companies, as no English names have been registered by these companies.*

(4) Independent Reporting Accountants' Assurance Report on the Compilation of Unaudited Pro Forma Financial Information of the Enlarged Group

The following is the text of a report from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

EY 安永

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27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Resources Medical Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Resources Medical Holdings Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the consolidated statement of assets and liabilities as at 31 December 2022, and related notes as set out on pages 252 to 253 of the circular dated 27 April 2023 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition of 76.1% equity interest in China Resources Healthcare (Liaoning) Group Co., Ltd. ("**Liaoning CR Healthcare**") and its subsidiaries, 100.0% equity interest in Shenzhen China Resources Healthcare Industry Investment Co., Limited ("**Shenzhen CR Healthcare**"), and 80.0% equity interest in China Resources Healthcare (Jiangxi) Co., Limited ("**JE Subject**") and its subsidiaries (collectively the "**Target Group**") (the"**Proposed Acquisitions**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page 249 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisitions on the Group's financial position as at 31 December 2022 as if the Proposed Acquisitions had taken place at 31 December 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2022, as set out in the published annual results announcement for the year ended 31 December 2022 dated 28 March 2023, and information about the financial positions of the Target Group has been extracted from the accountants' report on the Target Group included in Appendix II, Appendix III and Appendix IV to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Form Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Acquisitions on unadjusted financial information of the Group as if the Proposed Acquisitions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisitions would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Acquisitions, and to obtain sufficient appropriate evidence about whether:

— the related pro forma adjustments give appropriate effect to those criteria; and

— the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Your faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

27 April 2023

The following is the text of a letter and valuation report, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at December 31, 2022 of 76.10% shareholders' equity in Liaoning CR Healthcare.

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仲量聯行

April 27, 2023

The Board of Directors
China Resources Medical Holdings Co., Ltd.
41/F., China Resources Building,
26 Harbour Road,
Wanchai, Hong Kong

Dear Sirs,

In accordance with the instructions received from China Resources Medical Holdings Co., Ltd. (華潤醫療控股有限公司, "**China Resources Medical Holdings**" or the "**Company**"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 76.10 percent equity interest in China Resources Healthcare (Liaoning) Group Co., Ltd. (華潤健康(遼寧)集團有限公司, "**China Resources Healthcare (Liaoning)**" or the "**Target**") as at 31 December 2022 (the "**Valuation Date**"). The report which follows is dated April 27, 2023 (the "**Report Date**").

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Target. We have also considered various risks and uncertainties that have potential impact on the Target.

We do not intend to express any opinion in matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 76.10 percent equity interest in the Target as at the Valuation Date is RMB3,388,789,000.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

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INTRODUCTION

In accordance with the instructions received from China Resources Medical Holdings Co., Ltd. (華潤醫療控股有限公司, "**China Resources Medical Holdings**" or the "**Company**"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 76.10 percent Equity Interest in China Resources Healthcare (Liaoning) Group Co., Ltd. (華潤健康(遼寧)集團有限公司, "**China Resources Healthcare (Liaoning)**" or the "**Target**") as at 31 December 2022 (the "**Valuation Date**"). The report which follows is dated April 27, 2023 (the "**Report Date**").

PURPOSE OF VALUATION

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

BASIS OF OPINION

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

As of the end of December 2022, the Target had 31 member medical institutions, including 5 grade III hospitals (including 4 grade IIIA hospitals), 11 grade II hospitals (including 10 grade IIA hospitals) and 11 grade I hospitals, located in Shenyang, Fushun, Benxi, Fuxin, Tieling and other cities in Mainland China. The total number of employees was approximately 8,827, and the number of beds was approximately 9,174.

The Target's revenue was RMB2,956,163,000, RMB2,782,819,000, RMB3,121,942,000 and RMB1,547,003,000 in the year of 2019, 2020, 2021 and the six-month period ended 30 June 2022 respectively. The net profit after taxation of the Target was RMB88,111,000, RMB157,658,000, RMB206,493,000 and RMB205,729,000 in the year of 2019, 2020, 2021 and the six-month period ended 30 June 2022 respectively. Most of the Target's income came from outpatient and inpatient medical services.

The summary of the financial information of the Target for the year ended 31 December 2019, 31 December 2020, 31 December 2021 and the six months ended 30 June 2022 are set out below:

	Years ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	2,956,163	2,782,819	3,121,942	1,547,003
Net profit after taxation	88,111	157,658	206,493	205,729
Total assets	6,118,897	3,139,201	3,407,753	3,492,754
Total liabilities	5,471,948	2,297,685	2,352,975	2,136,086
Total equity	646,949	841,516	1,054,778	1,356,668

CR Hospital Investment (a wholly owned subsidiary of the Company) (as transferee) and LR Management (as transferor) have entered into a conditional framework agreement which allows CR Hospital Investment to acquire a total of 76.10 percent equity interest in the Target.

APPROACH AND METHODOLOGY

In arriving the market value of 76.10 percent equity interest in the Target, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition of the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Approach and Methodology

To select the most appropriate approach, we have considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to us to form perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target. In our opinion, the cost approach is inappropriate for valuing the Target, as it does not directly incorporate information about the economic benefits contributed by the Target. The income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions, not all of which can be easily quantified or ascertained. We have therefore relied on the market approach in determining our opinion of value.

There are two common methods under market approach, namely, guideline public companies method and guideline transaction method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transaction method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to Target's financial metrics.

In this exercise, the market value of equity interest in the Target was developed through the guideline public company method. The guideline transaction method is not adopted due to lack of sufficient recent market transactions with similar nature as the Target. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. In this Valuation, we have considered the following commonly used benchmark multiples:

Benchmark multiple	Abbreviation	Analysis
Price to earnings	P/E	Not used. P/E is not selected as it does not capture the financial leverage and other related risk feature across the companies.
Price to book	P/B	Not used. P/B multiple is not selected as P/B fail to capture the intangible company-specific competencies and advantages so in general, the equity's book value has little bearing with its fair value.
Price to sales & Enterprise Value to Sales	P/S & EV/S	Not used. P/S & EV/S are not used in the valuation as P/S & EV/S do not take into account a company's profitability.
Enterprise Value to EBITDA	EV/EBITDA	Adopted. EV/EBITDA is suitable for profitable companies and can factor in differences in balance sheet positions between the subject and the comparable companies.

In this valuation, The EV/EBITDA Ratio is defined as the current enterprise value to the earnings before interest, tax, depreciation and amortization of the Target from 1 July 2021 to 30 June 2022. The EV/EBITDA Ratio is a capital structure neutral ratio since it takes into account the debt and earnings before interest expenses. It allows us to compare the Target against the comparable companies without considering how each comparable company finances its operations.

ASSUMPTIONS

In this exercise, we have applied the following assumptions as at the Valuation Date in deriving the market value of the 76.10 percent equity interest in the Target.

General Assumptions

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- The operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge; and
- We have assumed that there are no hidden or unexpected conditions associated with the Target that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

Market Multiple

Liaoning CR Healthcare primarily engages in healthcare services that mainly provide in-patient hospital service. From FY2019 to 1H2022, Liaoning CR Healthcare generated 99% of its revenue from healthcare services, and 58% of its revenue from in-patient hospital services. Additionally, it generated all its revenue in Mainland China.

Under guideline public company method, in determining the financial multiple, a list of comparable companies was identified. The selection criteria include the followings:

- The companies are publicly listed on HKEX, SZSE or SSE;
- The companies have been listed on HKEX, SZSE or SSE no fewer than six months;
- The companies derive more than half of their revenues from the healthcare services and more than half of the healthcare services revenues are derived from the in-patient hospital service;
- The companies derive more than half of their revenues from operating in Mainland China;
- The companies have positive net income; and
- Sufficient data, including the EV/EBITDA ratio, on the comparable companies are available as at the Valuation Date.

The comparable companies satisfying the aforementioned criteria are:

Ticker	Name	Company Description	% of Revenue from healthcare services[1]	% of Revenue from in-patient service[2]	% of Revenue from China[3]	EV/ EBITDA Ratio Before Adjustment[4]
SEHK: 6078	Hygeia Healthcare Holdings Co., Limited	Hygeia Healthcare Holdings Co., Limited operates as an oncology healthcare company in the People's Republic of China. As of December 31, 2021, it operated or managed a network of 12 oncology-focused hospitals in 9 cities in 7 Provinces in the People's Republic of China. Hygeia Healthcare Holdings Co., Limited was founded in 2009 and is headquartered in Shanghai, the People's Republic of China.	90%	68%	100%	40.12
SEHK: 1515	China Resources Medical Holdings Company Limited	China Resources Medical Holdings Company Limited, an investment holding company, provides general healthcare, and hospital management and consulting services in the People's Republic of China. The company operates in three segments: Self-Owned Hospitals, Invest-Operate-Transfer/ Operate-Transfer Hospitals, and Others. China Resources Medical Holdings Company Limited was founded in 2007 and is headquartered in Beijing, the People's Republic of China.	57%	56%	100%	9.88

Ticker	Name	Company Description	% of Revenue from healthcare services[1]	% of Revenue from in-patient service[2]	% of Revenue from China[3]	EV/ EBITDA Ratio Before Adjustment[4]
SEHK:9906	Honliv Healthcare Management Group Company Limited	Honliv Healthcare Management Group Company Limited owns and operates a general hospital in Mainland China. The company provides medical and pharmaceutical services, and hospital management services. It also operates as the pharmaceutical wholesaler. As of December 31, 2021, the company operated and managed Henan Honliv Hospital with 1,500 beds in operation located in Henan Province. The company was founded in 2004 and is headquartered in Changyuan, China.	100%	51%	100%	10.41
SEHK:2120	Wenzhou Kangning Hospital Co., Ltd.	Wenzhou Kangning Hospital Co., Ltd. operates a network of healthcare facilities in the People's Republic of China. It primarily focuses on providing psychiatric specialty care and elderly rehabilitation services. Wenzhou Kangning Hospital Co., Ltd. was founded in 1996 and is headquartered in Wenzhou, the People's Republic of China.	93%	87%	100%	8.47

Ticker	Name	Company Description	% of Revenue from healthcare services[1]	% of Revenue from in-patient service[2]	% of Revenue from China[3]	EV/ EBITDA Ratio Before Adjustment[4]
SEHK: 3689	Guangdong Kanghua Healthcare Co., Ltd.	Guangdong Kanghua Healthcare Co., Ltd., an investment holding company, primarily operates private hospitals in the People's Republic of China. The company operates through Hospital Services, Rehabilitation and Other Healthcare Services, Sale of Pharmaceutical Products, and Elderly Healthcare Services segments. It provides inpatient and outpatient healthcare, and physical examination services. The company was incorporated in 2002 and is headquartered in Dongguan, the People's Republic of China.	93%	60%	100%	1.99

Notes:

1. The percentage of revenue generated from healthcare services is directly extracted from annual reports of the comparable companies or calculated based on revenue segments or operating segments information if direct data is unavailable. This ratio is calculated using the average of FY2019, FY2020, FY2021 and 1H2022.

2. The percentage of revenue generated from in-patient hospital service to revenue generated from healthcare services is directly extracted from annual reports of the comparable companies or calculated based on revenue segments or operating segments information if direct data is unavailable. This ratio is calculated using the average of FY2019, FY2020, FY2021 and 1H2022.

3. The percentage of revenue generated from operating in China is directly extracted from annual reports of the comparable companies or calculated based on revenue segments, operating segments information or management discussion and analysis if direct data is unavailable. This ratio is calculated using the average of FY2019, FY2020, FY2021 and 1H2022.

4. Retrieved from S&P Capital IQ based on latest data available.

5. The list of Comparable Companies is exhaustive.

The comparable companies are often of significantly different size from the Target. Larger companies are generally perceived as less risky in relation to business operation and financial performance, and thus the expected returns are lower and resulting in higher multiples. Therefore, the base multiples were adjusted to reflect the difference in size between the comparable companies and the Target.

The adjusted EV/EBITDA Ratios were calculated using the following formula:

Adjusted EV/EBITDA Ratio = $1/((1/M) + \alpha \times \varepsilon \times \theta)$

Where:

M = The Base EV/EBITDA Ratio

α = *The scale factor, which converts the base measure of the benefits to an alternative measure of benefits for the comparable companies*

ε = *The ratio of the equity value to the enterprise value of the comparable company*

θ = *Required adjustment in the equity discount rate for difference in size*

M is the base EV/EBITDA ratio and we take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalization rate. In this valuation, the reciprocal of the base EV/EBITDA multiple represents a capitalization rate of the enterprise value.

For the parameter θ, it was used as a desired adjustment to reflect the difference in natures between the comparable companies and the Target. With reference to the 2022 SBBI® Yearbook published by Kroll Inc. (previously Duff & Phelps), size premium differentials of 0.00%–0.32% were adopted to capture how much the market capitalization of each of the comparable companies is larger than the market value of the Target.

The ratio of the market capitalization to enterprise value ε was adopted as a weighting factor. As aforesaid, the logic behind this formula is that a pricing multiple is the reciprocal of the capitalization rate. In the case of an enterprise value multiple, the capitalization rate is driven by the weighted average cost of capital ("**WACC**") of the valuation subject. Since the size and country risk premium differentials "θ" are applicable only to the equity portion (for a listed company, market capitalization represents the market value of its equity) but not to the debt portion of the WACC, we only adjust the equity portion of the capitalization rate in this pricing multiple adjustment formula. The ratio ε was used to apply an appropriate weighting on the parameter θ so that the capitalization rate was adjusted only to the extent of its equity portion. In other words, the ratio ε takes into account of the varying capital structures among the comparable companies. Market capitalization and enterprise value of comparable companies are obtained from S&P Capital IQ.

The ratio of EBITDA to net operating profit after tax ("**NOPAT**") was used as a scale factor α, which is applied in the adjustment of the EV/EBITDA multiple. It is considered that the base measure of the benefits for enterprise value to be NOPAT (Hitchner, 2017), which is a financial measure that shows how well a company performed through its core operations net of taxes and it excludes tax savings from existing debt and one-time losses or charges. As EV/EBITDA was adopted as the pricing multiple in this valuation, EBITDA becomes an alternative measure of the benefits for enterprise value in the pricing multiple adjustment formula. Hence, α was used as a scale factor for the alternative measure of benefit. EBITDA and NOPAT of comparable companies are obtained from S&P Capital IQ.

The details of the adjustments of the comparable companies are as follows:

Ticker	**Name**	**Total Adjustment ($\alpha \times \varepsilon \times \theta$)**
SEHK: 6078	Hygeia Healthcare Holdings Co., Limited	0.51%
SEHK: 1515	China Resources Medical Holdings Company Limited	0.00%
SEHK: 9906	Honliv Healthcare Management Group Company Limited	0.00%
SEHK: 2120	Wenzhou Kangning Hospital Co., Ltd.	0.00%
SEHK: 3689	Guangdong Kanghua Healthcare Co., Ltd.	0.00%

The Adjusted EV/EBITDA Ratios of the comparable companies are shown as follows:

Ticker	**Name**	**Adjusted EV/ EBITDA Ratio**
SEHK: 6078	Hygeia Healthcare Holdings Co., Limited	33.28
SEHK: 1515	China Resources Medical Holdings Company Limited	9.88
SEHK: 9906	Honliv Healthcare Management Group Company Limited	10.41
SEHK: 2120	Wenzhou Kangning Hospital Co., Ltd.	8.47
SEHK: 3689	Guangdong Kanghua Healthcare Co., Ltd.	1.99

The median of the EV/EBITDA Ratio is calculated at 9.88 and is adopted as the EV/EBITDA Ratio for the valuation on the market value of the equity interest in the Target.

Discount for Lack of Marketability (DLOM)

A factor to be considered in valuing closely held companies such as the Target is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

For this exercise, the indicated discount for lack of marketability adopted for the equity interest in the Target is 15.80% as at the Valuation Date, based on a study *2021 edition of the Stout Restricted Stock Study Companion Guide* issued by Stout Risius Ross, LLC. The study represents the most widely used and accepted database available to valuators for DLOM determination. In the study, researchers have examined 763 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through December 2020. The overall median discount for all 763 transactions in the study is 15.80%.

Control Premiums and Discount for Lack of Control (DLOC)

Control Premium and Discount for Lack of Control (DLOC) are applied to reflect differences between the comparables and the subject asset with regard to the ability to make decisions. A Control Premium is defined as the additional consideration that an investor would pay over a marketable minority equity value in order to own a controlling interest in the common stock of a company. The Lack of Control Discount is the reduction applied to the valuation of a minority equity position in a company due to the absence of control. Minority shareholders usually have the inability to dictate the future strategic direction of the company, the election of directors, the nature, quantum and timing of their return on investment, or even the sale of their own shares. This absence of control reduces the value of the minority equity position against the total enterprise value of the company. As the Company intended to acquire 76.10 percent equity interest in the Target, which reflects a controlling interest, a control premium is adopted to calculate the market value of the Target.

Based on the Mergerstat Control Premium Study (4th Quarter 2022) published by FactSet Mergerstat, LLC., the control premium of 28.70% is adopted in this valuation. The Control Premium Study published by FactSet Mergerstat, LLC. is a widely accepted sources among valuers.

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from S&P Capital IQ as at the Valuation Date. We have also taken into account the two factors, including the DLOM and control premium. The calculation of the market value of the 76.10 percent equity interest in the Target as at the Valuation Date is as follows:

	As at 31 December 2022 *(RMB'000)*
Trailing 12 months EBITDA of the Target*	401,700
Adjusted EV/EBITDA Ratio	9.88
Enterprise Value of the Target	**3,969,533**
Add: Cash and cash equivalents*	511,638
Less: Preferred Equity*	—
Less: Minority Interest*	—
Less: Interest-bearing bank borrowings (Current)*	(363,725)
Less: Interest-bearing bank borrowings (Non-current)*	—
Less: Lease liabilities (Current)*	(3,948)
Less: Lease liabilities (Non-current)*	(4,185)
100 Percent Equity Interest in Target (marketable, non-controlling)	**4,109,313**
Add: Control Premium (28.70%)	1,179,373
100 Percent Equity Interest in Target (marketable, controlling)	**5,288,686**
Less: Discount for Lack of Marketability (15.80%)	(835,612)
100 Percent Equity Interest in Target (non-marketable, controlling)	**4,453,074**
Client's equity interest in Target	**76.10%**
76.10 percent Equity Interest in Target (non-marketable, controlling)	3,388,789
Market Value of 76.10 percent Equity Interest in Target	**3,388,789**

Note: The trailing 12 months EBITDA of the Target was based on the unaudited financial figures for the six months ended 30 June 2021 and the six months ended 30 June 2022 provided by the Company and audited financial figures for the twelve months ended 31 December 2021 extracted from the accountants' report. Cash and cash equivalents, preferred equity, minority interest, interest-bearing bank borrowings and lease liabilities were based on the unaudited financial figures at 30 June 2022 extracted from the financial report.

The trailing 12 months EBITDA of the Target Company is calculated as follow:

	2021.1–6	**2021**	**2022.1–6**	**2022.6 TTM**
	Unaudited	*Audited*	*Unaudited*	
Revenue	1,495,686	3,121,942	1,547,003	3,173,259
— Cost of sales	1,195,580	2,535,222	1,216,284	2,555,926
— Administrative expenses	104,923	370,470	108,555	374,102
— Impairment/(reversal of impairment) of trade receivables	(246)	257	2,161	2,664
+ Other operating income	—	—	—	—
EBIT	**195,429**	**215,993**	**220,003**	**240,567**
+ D&A of property, plant and equipment	54,995	132,632	69,501	147,138
+ D&A of investment property	—	—	312	312
+ D&A of leases	1,974	4,699	2,438	5,163
+ D&A of intangible assets	3,822	7,662	4,680	8,520
EBITDA	**256,220**	**360,986**	**296,934**	**401,700**
	a	b	c	d = c + b – a

VALUATION COMMENTS

The valuation of the market value of equity interest in the Target requires consideration of all relevant factors affecting the operation of the business related to the Target and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

— The nature of the business;

— The financial condition of the business and the economic outlook in general, and;

— The financial and business risk of the enterprise including the continuity of income and the projected future results.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. In particular, details about the assumptions can be found under the heading "Assumptions" in this Report. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 76.10 percent equity interest in the Target as at the Valuation Date is reasonably stated as follows:

China Resources Healthcare (Liaoning)	**Market Value (RMB)**
76.10 percent equity interest	3,388,789,000

LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties (if any) because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results (if any) is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast (if any) provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and Jones Lang LaSalle Corporate Appraisal and Advisory Limited in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

— Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

— The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

— The reported analyses, opinions, and conclusions are independent and objective.

— The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

— The valuers' compensation is not contingent upon the quantum of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

— The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.

— The under mentioned persons provided professional assistance in the compilation of this report.

Simon M.K. Chan
Executive Director

Hunter Z.W. He
Senior Director

Scott C.Y. Zheng
Manager

Kevin H.K. Yang
Assistant Analyst

The following is the text of a letter and valuation report, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at December 31, 2022 of the entire shareholders' equity in Shenzhen CR Healthcare.

JLL®
仲量聯行

April 27, 2023

The Board of Directors
China Resources Medical Holdings Co., Ltd.
41/F., China Resources Building,
26 Harbour Road,
Wanchai, Hong Kong

Dear Sirs,

In accordance with the instructions received from China Resources Medical Holdings Co., Ltd. (華潤醫療控股有限公司, "**China Resources Medical Holdings**" or the "**Company**"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 100 Percent Equity Interest in Shenzhen China Resources Healthcare Industry Development Co., Ltd. (深圳華潤健康產業投資有限公司, "**Shenzhen China Resources Healthcare Industry Development**" or the "**Target**") as at 31 December 2022 (the "**Valuation Date**"). The report which follows is dated April 27, 2023 (the "**Report Date**").

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Target. We have also considered various risks and uncertainties that have potential impact on the Target.

We do not intend to express any opinion in matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 100 percent equity interest in the Target as at the Valuation Date is RMB136,958,000.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

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INTRODUCTION

In accordance with the instructions received from China Resources Medical Holdings Co., Ltd. (華潤醫療控股有限公司, "**China Resources Medical Holdings**" or the "**Company**"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 100 percent equity interest in Shenzhen China Resources Healthcare Industry Development Co., Ltd. (深圳華潤健康產業投資有限公司, "**Shenzhen China Resources Healthcare Industry Development**" or the "**Target**") as at 31 December 2022 (the "**Valuation Date**"). The report which follows is dated April 27, 2023 (the "**Report Date**").

PURPOSE OF VALUATION

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

BASIS OF OPINION

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

The Target engages in the distribution of medicines and pharmaceutical products and provides supply chain service to hospitals.

The Target's revenue were RMB10,148,000 and RMB20,907,000 in the year of 2021 and the six-month period ended 30 June 2022 respectively. The net profit after taxation of the Target were RMB4,486,000 and RMB8,631,000 in the year of 2021 and the six-month period ended 30 June 2022 respectively. Most of the Target's income in the six-month period ended 30 June 2022 came from the distribution of medicines. The Target was founded in August 2018 and started its business in the second half of 2021 according to the management of the Company.

The summary of the financial information of the Target for the year 31 December 2021 and the six months period ended 30 June 2022 are set out below:

	Years ended 31 December 2021 *RMB'000*	Six months ended 30 June 2022 *RMB'000*
Revenue	10,148	20,907
Net profit after taxation	4,486	8,631
Total assets	12,682	29,372
Total liabilities	8,196	16,255
Total equity	4,486	13,117

CR Hospital Investment (a wholly owned subsidiary of the Company) (as transferee) and LR Management (as transferor) have entered into a conditional framework agreement which allows CR Hospital Investment to acquire a total of 100 percent equity interest in the Target.

APPROACH AND METHODOLOGY

In arriving the market value of 100 percent equity interest in the Target, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition of the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Approach and Methodology

To select the most appropriate approach, we have considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to us to form perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target. In our opinion, the cost approach is inappropriate for valuing the Target, as it does not directly incorporate information about the economic benefits contributed by the Target. The income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions, not all of which can be easily quantified or ascertained. We have therefore relied on the market approach in determining our opinion of value.

There are two common methods under market approach, namely, guideline public companies method and guideline transaction method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transaction method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to Target's financial metrics.

In this exercise, the market value of equity interest in the Target was developed through the guideline public company method. The guideline transaction method is not adopted due to lack of sufficient recent market transactions with similar nature as the Target. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. In this valuation, we have considered the following commonly used benchmark multiples:

Benchmark multiple	Abbreviation	Analysis
Price to earnings	P/E	Not used. P/E is not selected as it does not capture the financial leverage and other related risk feature across the companies.
Price to book	P/B	Not used. P/B multiple is not selected as P/B fail to capture the intangible company-specific competencies and advantages so in general, the equity's book value has little bearing with its fair value.
Price to sales & Enterprise Value to Sales	P/S & EV/S	Not used. P/S & EV/S are not used in the valuation as P/S & EV/S do not take into account a company's profitability.
Enterprise Value to EBITDA	EV/EBITDA	Adopted. EV/EBITDA is suitable for profitable companies and can factor in differences in balance sheet positions between the subject and the comparable companies.

In this valuation, The EV/EBITDA Ratio is defined as the current enterprise value to the earnings before interest, tax, depreciation and amortization of the Target from 1 July 2021 to 30 June 2022. The EV/EBITDA Ratio is a capital structure neutral ratio since it takes into account the debt and earnings before interest expenses. It allows us to compare the Target against the comparable companies without considering how each comparable company finances its operations.

ASSUMPTIONS

In this exercise, we have applied the following assumptions as at the Valuation Date in deriving the market value of the 100 percent equity interest in the Target.

General Assumptions

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- The operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge; and
- We have assumed that there are no hidden or unexpected conditions associated with the Target that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

Market Multiple

Shenzhen CR Healthcare primarily engages in the distribution of medicines and pharmaceutical products and provides supply chain service to hospitals. In the trailing twelve months ended June 30, 2022, Shenzhen CR Healthcare primarily generated 71% its revenue from the distribution of medicines and pharmaceutical products (about 79% of the revenue was from the distribution of medicines). Additionally, it generated all its revenue in Mainland China.

Under guideline public company method, in determining the financial multiple, a list of comparable companies was identified. The selection criteria include the followings:

- The companies are publicly listed on HKEX, SZSE or SSE;
- The companies have been listed on HKEX, SZSE or SSE no fewer than six months;
- The companies derive more than half of their revenues from the distribution of medicines;
- The companies derive more than half of their revenues from operating in Mainland China;
- The companies have positive net income; and
- Sufficient data, including the EV/EBITDA ratio, on the comparable companies are available as at the Valuation Date.

The comparable companies satisfying the aforementioned criteria are:

Ticker	Name	Company Description	% of Revenue from distribution of medicine[1]	% of Revenue from China[2]	EV/EBITDA Ratio Before Adjustment[3]
SEHK: 1099	Sinopharm Group Co. Ltd.	Sinopharm Group Co. Ltd., together with its subsidiaries, engages in the wholesale and retail of pharmaceutical and medical devices and healthcare products in the People's Republic of China. The company was founded in 2003 and is headquartered in Shanghai, the People's Republic of China. Sinopharm Group Co. Ltd. is a subsidiary of Sinopharm Industrial Investment Co., Ltd.	74%	100%	6.58
SHSE: 600056	China Meheco Group Co., Ltd.	China Meheco Group Co., Ltd. engages in the pharmaceutical business in China and internationally. The company exports and imports natural medicines, pharmaceutical chemicals, medical equipment, and health products; produces and distributes pharmaceutical and health care products; and operates retail chain pharmacies. China Meheco Group Co., Ltd. was founded in 1984 and is based in Beijing, China.	70%	79%	20.78
SHSE: 600998	Jointown Pharmaceutical Group Co., Ltd	Jointown Pharmaceutical Group Co., Ltd provides marketing, distribution, and logistics services for digital pharmaceutical businesses. It wholesales Chinese herbal medicines, Chinese patent medicines, chemical medicinal materials, chemical medicine preparations, antibiotic preparations, biochemical drugs, biological products, chemical raw materials, and medical toxic drugs. The company was founded in 1999 and is based in Wuhan, China.	97%	100%	8.33
SHSE: 600511	China National Medicines Corporation Ltd.	China National Medicines Corporation Ltd., together with its subsidiaries, distributes pharmaceutical products in China. The company was founded in 1999 and is based in Beijing, China.	95%	100%	7.44

Ticker	Name	Company Description	% of Revenue from distribution of medicine[1]	% of Revenue from China[2]	EV/EBITDA Ratio Before Adjustment[3]
SZSE: 000028	China National Accord Medicines Corporation Ltd.	China National Accord Medicines Corporation Ltd. engages in the distribution of medicine and pharmaceutical products. The company was founded in 2004 and is based in Shenzhen, China.	69%	100%	7.76
SZSE: 000950	C.Q. Pharmaceutical Holding Co., Ltd.	C.Q. Pharmaceutical Holding Co., Ltd. distributes pharmaceutical products. The company was founded in 1950 and is based in Chongqing, China.	96%	100%	12.82
SHSE: 603368	Guangxi LiuYao Group Co., Ltd	Guangxi LiuYao Group Co., Ltd. engages in the distribution and retail of pharmaceutical products in China. The company was founded in 1981 and is based in Liuzhou, China.	81%	100%	7.98
SHSE: 600713	NanJing Pharmaceutical Company Limited	NanJing Pharmaceutical Company Limited engages pharmaceutical wholesale and retail businesses in China. The company was founded in 1951 and is based in Nanjing, China.	94%	100%	11.07
SZSE: 002589	Realcan Pharmaceutical Group Co., Ltd.	Realcan Pharmaceutical Group Co., Ltd. sells medicines, medical devices, and medical consumables to medical institution worldwide. Realcan Pharmaceutical Group Co., Ltd. was founded in 2004 and is based in Yantai, China.	65%	100%	11.83
SZSE: 000411	Zhejiang Int'l Group Co., Ltd.	Zhejiang Int'l Group Co., Ltd. engages in the wholesale and retail of pharmaceuticals and medical devices. The company was founded in 1950 and is based in Hangzhou, China.	92%	100%	11.72
SZSE: 002462	Cachet Pharmaceutical Co., Ltd.	Cachet Pharmaceutical Co., Ltd. engages in the wholesale and retail sale of pharmaceutical products in China. Cachet Pharmaceutical Co., Ltd. was founded in 1998 and is based in Beijing, China.	92%	100%	9.13
SHSE: 600829	HPGC Renmintongtai Pharmaceutical Corporation	HPGC Renmintongtai Pharmaceutical Corporation engages in the wholesale and retail of pharmaceutical products in China and internationally. The company was founded in 1950 and is headquartered in Harbin, China.	84%	100%	10.29

Ticker	Name	Company Description	% of Revenue from distribution of medicine[1]	% of Revenue from China[2]	EV/EBITDA Ratio Before Adjustment[3]
SZSE: 002788	Luyan Pharma Co., Ltd.	Luyan Pharma Co., Ltd. engages in the research and development, production, and sale of human health products in China. It also operates pharmaceutical distribution and retail direct stores. Luyan Pharma Co., Ltd. was founded in 1992 and is headquartered in Xiamen, China.	94%	100%	10.91
SZSE: 301126	Hunan Dajiaweikang Pharmaceutical Industry Co., Ltd	Hunan Dajiaweikang Pharmaceutical Industry Co., Ltd engages in the wholesale and retail of pharmaceuticals products in China. Hunan Dajiaweikang Pharmaceutical Industry Co., Ltd was founded in 2002 and is headquartered in Changsha, China.	71%	100%	25.63
SZSE: 000705	Zhejiang Zhenyuan Share Co., Ltd.	Zhejiang Zhenyuan Share Co., Ltd. operates as a pharmaceutical company in China and internationally. The company was founded in 1752 and is based in Shaoxing, China.	55%	99%	17.61
SEHK: 1345	Shanghai Pioneer Holding Ltd	Shanghai Pioneer Holding Ltd, an investment holding company, markets, promotes, and sells pharmaceutical products and medical devices primarily in the People's Republic of China. Shanghai Pioneer Holding Ltd was founded in 1996 and is headquartered in Shanghai, the People's Republic of China.	86%	99%	9.72
SEHK: 2289	Charmacy Pharmaceutical Co., Ltd.	Charmacy Pharmaceutical Co., Ltd. engages in the trading of pharmaceutical products in the People's Republic of China. Charmacy Pharmaceutical Co., Ltd. was incorporated in 1984 and is headquartered in Shantou, the People's Republic of China.	100%	100%	15.18

Ticker	Name	Company Description	% of Revenue from distribution of medicine[1]	% of Revenue from China[2]	EV/EBITDA Ratio Before Adjustment[3]
SEHK: 6833	Sinco Pharmaceuticals Holdings Limited	Sinco Pharmaceuticals Holdings Limited, an investment holding company, provides marketing, promotion, and channel management services for imported pharmaceutical products and medical devices in China. The company was founded in 2011 and is headquartered in Chengdu, the People's Republic of China.	100%	100%	2.09
SEHK: 1110	Kingworld Medicines Group Limited	Kingworld Medicines Group Limited, an investment holding company, distributes branded imported pharmaceutical and healthcare products. The company was founded in 1996 and is headquartered in Shenzhen, the People's Republic of China.	66%	95%	6.37

Notes:

1. The percentage of revenue generated from distribution of medicine is directly extracted from annual reports of the comparable companies or calculated based on revenue segments or operating segments information if direct data is unavailable.

2. The percentage of revenue generated from operating in China is directly extracted from annual reports of the comparable companies or calculated based on revenue segments, operating segments information or management discussion and analysis if direct data is unavailable.

3. Retrieved from S&P Capital IQ based on latest data available.

4. The list of Comparable Companies is exhaustive.

The comparable companies are often of significantly different size from the Target. Larger companies are generally perceived as less risky in relation to business operation and financial performance, and thus the expected returns are lower and resulting in higher multiples. Therefore, the base multiples were adjusted to reflect the difference in size between the comparable companies and the Target.

The adjusted EV/EBITDA Ratios were calculated using the following formula:

Adjusted EV/EBITDA Ratio = $1/((1/M) + \alpha \times \varepsilon \times \theta)$

Where:

M = *The Base EV/EBITDA Ratio*

α = *The scale factor, which converts the base measure of the benefits to an alternative measure of benefits for the comparable companies*

ε = *The ratio of the equity value to the enterprise value of the comparable company*

θ = *Required adjustment in the equity discount rate for difference in size*

M is the base EV/EBITDA ratio and we take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalization rate. In this valuation, the reciprocal of the base EV/EBITDA multiple represents a capitalization rate of the enterprise value.

For the parameter θ, it was used as a desired adjustment to reflect the difference in natures between the comparable companies and the Target. With reference to the 2022 SBBI® Yearbook published by Kroll Inc. (previously Duff & Phelps), size premium differentials of 0.00%–4.26% were adopted to capture how much the market capitalization of each of the comparable companies is larger than the market value of the Target.

The ratio of the market capitalization to enterprise value ε was adopted as a weighting factor. As aforesaid, the logic behind this formula is that a pricing multiple is the reciprocal of the capitalization rate. In the case of an enterprise value multiple, the capitalization rate is driven by the weighted average cost of capital ("**WACC**") of the valuation subject. Since the size and country risk premium differentials "θ" are applicable only to the equity portion (for a listed company, market capitalization represents the market value of its equity) but not to the debt portion of the WACC, we only adjust the equity portion of the capitalization rate in this pricing multiple adjustment formula. The ratio ε was used to apply an appropriate weighting on the parameter θ so that the capitalization rate was adjusted only to the extent of its equity portion. In other words, the ratio ε takes into account of the varying capital structures among the comparable companies. Market capitalization and enterprise value of comparable companies are obtained from S&P Capital IQ.

The ratio of EBITDA to net operating profit after tax ("**NOPAT**") was used as a scale factor α, which is applied in the adjustment of the EV/EBITDA multiple. It is considered that the base measure of the benefits for enterprise value to be NOPAT (Hitchner, 2017), which is a financial measure that shows how well a company performed through its core operations net of taxes and it excludes tax savings from existing debt and one-time losses or charges. As EV/EBITDA was adopted as the pricing multiple in this valuation, EBITDA becomes an alternative measure of the benefits for enterprise value in the pricing multiple adjustment formula. Hence, α was used as a scale factor for the alternative measure of benefit. EBITDA and NOPAT of comparable companies are obtained from S&P Capital IQ.

The details of the adjustments of the comparable companies are as follows:

Ticker	Name	Total Adjustment ($\alpha \times \varepsilon \times \theta$)
SEHK: 1099	Sinopharm Group Co. Ltd.	2.67%
SHSE: 600056	China Meheco Group Co., Ltd.	7.23%
SHSE: 600998	Jointown Pharmaceutical Group Co., Ltd	6.62%
SHSE: 600511	China National Medicines Corporation Ltd.	5.05%
SZSE: 000028	China National Accord Medicines Corporation Ltd.	4.15%
SZSE: 000950	C.Q. Pharmaceutical Holding Co., Ltd.	2.04%
SHSE: 603368	Guangxi LiuYao Group Co., Ltd	4.60%
SHSE: 600713	NanJing Pharmaceutical Company Limited	2.97%
SZSE: 002589	Realcan Pharmaceutical Group Co., Ltd.	8.52%
SZSE: 000411	Zhejiang Int'l Group Co., Ltd.	4.15%
SZSE: 002462	Cachet Pharmaceutical Co., Ltd.	2.27%
SHSE: 600829	HPGC Renmintongtai Pharmaceutical Corporation	3.95%
SZSE: 002788	Luyan Pharma Co., Ltd.	2.47%
SZSE: 301126	Hunan Dajiaweikang Pharmaceutical Industry Co., Ltd	4.54%
SZSE: 000705	Zhejiang Zhenyuan Share Co., Ltd.	5.45%
SEHK: 1345	Shanghai Pioneer Holding Ltd	3.36%
SEHK: 2289	Charmacy Pharmaceutical Co., Ltd.	0.00%
SEHK: 6833	Sinco Pharmaceuticals Holdings Limited	0.00%
SEHK: 1110	Kingworld Medicines Group Limited	0.00%

The Adjusted EV/EBITDA Ratios of the comparable companies are shown as follows:

Ticker	Name	Adjusted EV/ EBITDA Ratio
SEHK: 1099	Sinopharm Group Co. Ltd.	5.60
SHSE: 600056	China Meheco Group Co., Ltd.	8.30
SHSE: 600998	Jointown Pharmaceutical Group Co., Ltd	5.37
SHSE: 600511	China National Medicines Corporation Ltd.	5.41
SZSE: 000028	China National Accord Medicines Corporation Ltd.	5.87
SZSE: 000950	C.Q. Pharmaceutical Holding Co., Ltd.	10.16
SHSE: 603368	Guangxi LiuYao Group Co., Ltd	5.83
SHSE: 600713	NanJing Pharmaceutical Company Limited	8.33
SZSE: 002589	Realcan Pharmaceutical Group Co., Ltd.	5.89
SZSE: 000411	Zhejiang Int'l Group Co., Ltd.	7.88
SZSE: 002462	Cachet Pharmaceutical Co., Ltd.	7.56
SHSE: 600829	HPGC Renmintongtai Pharmaceutical Corporation	7.31
SZSE: 002788	Luyan Pharma Co., Ltd.	8.59
SZSE: 301126	Hunan Dajiaweikang Pharmaceutical Industry Co., Ltd	11.85
SZSE: 000705	Zhejiang Zhenyuan Share Co., Ltd.	8.99
SEHK: 1345	Shanghai Pioneer Holding Ltd	7.33
SEHK: 2289	Charmacy Pharmaceutical Co., Ltd.	15.18
SEHK: 6833	Sinco Pharmaceuticals Holdings Limited	2.09
SEHK: 1110	Kingworld Medicines Group Limited	6.37

The median of the EV/EBITDA Ratio is calculated at 7.33 and is adopted as the EV/EBITDA Ratio for the valuation on the market value of the equity interest in the Target.

Discount for Lack of Marketability (DLOM)

A factor to be considered in valuing closely held companies such as the Target is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

For this exercise, the indicated discount for lack of marketability adopted for the equity interest in the Target is 15.80% as at the Valuation Date, based on a study *2021 edition of the Stout Restricted Stock Study Companion Guide* issued by Stout Risius Ross, LLC. The study represents the most widely used and accepted database available to valuators for DLOM determination. In the study, researchers have examined 763 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through December 2020. The overall median discount for all 763 transactions in the study is 15.80%.

Control Premiums and Discount for Lack of Control (DLOC)

Control Premium and Discount for Lack of Control (DLOC) are applied to reflect differences between the comparables and the subject asset with regard to the ability to make decisions. A Control Premium is defined as the additional consideration that an investor would pay over a marketable minority equity value in order to own a controlling interest in the common stock of a company. The Lack of Control Discount is the reduction applied to the valuation of a minority equity position in a company due to the absence of control. Minority shareholders usually have the inability to dictate the future strategic direction of the company, the election of directors, the nature, quantum and timing of their return on investment, or even the sale of their own shares. This absence of control reduces the value of the minority equity position against the total enterprise value of the company. As the Company intended to acquire 100 percent equity interest in the Target, which reflects a controlling interest, a control premium is adopted to calculate the market value of the Target.

Based on the Mergerstat Control Premium Study (3rd Quarter 2022) published by FactSet Mergerstat, LLC., the control premium of 28.70% is adopted in this valuation. The Control Premium Study published by FactSet Mergerstat, LLC. is a widely accepted sources among valuers.

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from S&P Capital IQ as at the Valuation Date. We have also taken into account the two factors, including the DLOM and control premium. The calculation of the market value of the 100 percent equity interest in the Target as at the Valuation Date is as follows:

	As at 31 December 2022 *(RMB'000)*
Trailing 12 months EBITDA of the Target*	15,750
Adjusted EV/EBITDA Ratio	7.33
Enterprise Value of the Target	**115,402**
Add: Cash and cash equivalents*	10,984
Less: Preferred Equity*	—
Less: Minority Interest*	—
Less: Interest-bearing bank borrowings*	—
100 Percent Equity Interest in Target (marketable, non-controlling)	**126,386**
Add: Control Premium (28.70%)	36,273
100 Percent Equity Interest in Target (marketable, controlling)	**162,658**
Less: Discount for Lack of Marketability (15.80%)	(25,700)
100 Percent Equity Interest in Target (non-marketable, controlling)	**136,958**
Client's equity interest in Target	**100%**
100 percent Equity Interest in Target (non-marketable, controlling)	136,958
Market Value of 100 percent Equity Interest in Target	**136,958**

Note: The trailing 12 months EBITDA of the Target were based on the unaudited financial figures for the six months ended 30 June 2021 and the six months ended 30 June 2022 provided by the Company and audited financial figures for the twelve months ended 31 December 2021 extracted from the accountants' report. Cash and cash equivalents, preferred equity, minority interest and interest-bearing bank borrowings were based on the unaudited financial figures at 30 June 2022 extracted from the financial report.

The trailing 12 months EBITDA of the Target Company is calculated as follow:

	2021.1–6	**2021**	**2022.1–6**	**2022.6 TTM**
	Unaudited	*Audited*	*Unaudited*	
Revenue	—	10,148	20,907	31,055
— Cost of sales	—	4,677	10,150	14,827
— Administrative expenses	—	185	293	478
— Impairment/(reversal of impairment) of trade receivables	—	—	—	—
+ Other operating income	—	—	—	—
EBIT	**—**	**5,286**	**10,464**	**15,750**
+ D&A of property, plant and equipment	—	—	—	—
+ D&A of investment property	—	—	—	—
+ D&A of leases	—	—	—	—
+ D&A of intangible assets	—	—	—	—
EBITDA	**—**	**5,286**	**10,464**	**15,750**
	a	b	c	d = c + b – a

VALUATION COMMENTS

The valuation of the market value of equity interest in the Target requires consideration of all relevant factors affecting the operation of the business related to the Target and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

— The nature of the business;

— The financial condition of the business and the economic outlook in general, and;

— The financial and business risk of the enterprise including the continuity of income and the projected future results.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. In particular, details about the assumptions can be found under the heading "Assumptions" in this Report. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 100 percent equity interest in the Target as at the Valuation Date is reasonably stated as follows:

Shenzhen China Resources Healthcare Industry Development	**Market Value (RMB)**
100 percent equity interest	136,958,000

LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties (if any) because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results (if any) is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast (if any) provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and Jones Lang LaSalle Corporate Appraisal and Advisory Limited in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

- The reported analyses, opinions, and conclusions are independent and objective.

- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the quantum of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.

- The under mentioned persons provided professional assistance in the compilation of this report.

Simon M.K. Chan
Executive Director

Hunter Z.W. He
Senior Director

Scott C.Y. Zheng
Manager

Kevin H.K. Yang
Assistant Analyst

The following is the text of a letter and valuation report, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at December 31, 2022 of 80% shareholders' equity in the JE Subject.

JLL®

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April 27, 2023

The Board of Directors
China Resources Medical Holdings Co., Ltd.
41/F., China Resources Building,
26 Harbour Road,
Wanchai, Hong Kong

Dear Sirs,

In accordance with the instructions received from China Resources Medical Holdings Co., Ltd. (華潤醫療控股有限公司, "**China Resources Medical Holdings**" or the "**Company**"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 80 percent equity interest in China Resources Healthcare (Jiangxi) Co., Ltd. (華潤健康(江西)有限公司, "**China Resources Healthcare (Jiangxi)**" or the "**Target**") as at 31 December 2022 (the "**Valuation Date**"). The report which follows is dated April 27, 2023 (the "**Report Date**").

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Target. We have also considered various risks and uncertainties that have potential impact on the Target.

We do not intend to express any opinion in matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 80 percent equity interest in the Target as at the Valuation Date is RMB248,516,000.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

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INTRODUCTION

In accordance with the instructions received from China Resources Medical Holdings Co., Ltd. (華潤醫療控股有限公司, "**China Resources Medical Holdings**" or the "**Company**"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 80 percent equity interest in China Resources Healthcare (Jiangxi) Co., Ltd. (華潤健康(江西)有限公司, "**China Resources Healthcare (Jiangxi)**" or the "**Target**") as at 31 December 2022 (the "**Valuation Date**"). The report which follows is dated April 27, 2023 (the "**Report Date**").

PURPOSE OF VALUATION

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

BASIS OF OPINION

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

As of the end of December 2022, the Target had 6 member medical institutions, including 1 grade IIIA hospital, 4 grade II hospitals (including 1 grade IIA hospital) and 1 grade I hospital, located in cities such as Pingxiang, Leping, Fengcheng, Gaoan and Xinyu. The total number of employees was approximately 2,092, and the number of beds was approximately 2,370.

The Target's revenue was RMB53,524,000, RMB635,238,000, RMB690,651,000 and RMB359,166,000 in the year of 2019, 2020, 2021 and the six-month period ended 30 June 2022 respectively. The net profit after taxation of the Target was –RMB55,214,000, RMB6,142,000, RMB23,243,000 and RMB13,733,000 in the year of 2019, 2020, 2021 and the six-month period ended 30 June 2022 respectively. Most of the Target's income came from outpatient and inpatient medical services.

The summary of the financial information of the Target for the year ended 31 December 2019, 31 December 2020, 31 December 2021 and the six months ended 30 June 2022 are set out below:

	Years ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	53,524	635,238	690,651	359,166
Net profit after taxation	–55,214	6,142	23,243	13,733
Total assets	1,488,325	1,100,445	1,087,696	1,106,383
Total liabilities	1,343,539	949,517	912,025	916,979
Total equity	144,786	150,928	175,671	189,404

CR Hospital Investment (a wholly owned subsidiary of the Company) (as transferee) and CR Technology (as transferor) have entered into a conditional framework agreement which allows CR Hospital Investment to acquire a total of 80 percent equity interest in the Target.

APPROACH AND METHODOLOGY

In arriving the market value of 80 percent equity interest in the Target, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition of the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Approach and Methodology

To select the most appropriate approach, we have considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to us to form perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target. In our opinion, the cost approach is inappropriate for valuing the Target, as it does not directly incorporate information about the economic benefits contributed by the Target. The income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions, not all of which can be easily quantified or ascertained. We have therefore relied on the market approach in determining our opinion of value.

There are two common methods under market approach, namely, guideline public companies method and guideline transaction method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transaction method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to Target's financial metrics.

In this exercise, the market value of equity interest in the Target was developed through the guideline public company method. The guideline transaction method is not adopted due to lack of sufficient recent market transactions with similar nature as the Target. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. In this valuation, we have considered the following commonly used benchmark multiples:

Benchmark multiple	Abbreviation	Analysis
Price to earnings	P/E	Not used. P/E is not selected as it does not capture the financial leverage and other related risk feature across the companies.
Price to book	P/B	Not used. P/B multiple is not selected as P/B fail to capture the intangible company-specific competencies and advantages so in general, the equity's book value has little bearing with its fair value.
Price to sales & Enterprise Value to Sales	P/S & EV/S	Not used. P/S & EV/S are not used in the valuation as P/S & EV/S do not take into account a company's profitability.
Enterprise Value to EBITDA	EV/EBITDA	Adopted. EV/EBITDA is suitable for profitable companies and can factor in differences in balance sheet positions between the subject and the comparable companies.

In this valuation, The EV/EBITDA Ratio is defined as the current enterprise value to the earnings before interest, tax, depreciation and amortization of the Target from 1 July 2021 to 30 June 2022. The EV/EBITDA Ratio is a capital structure neutral ratio since it takes into account the debt and earnings before interest expenses. It allows us to compare the Target against the comparable companies without considering how each comparable company finances its operations.

ASSUMPTIONS

In this exercise, we have applied the following assumptions as at the Valuation Date in deriving the market value of the 80 Percent Equity Interest in the Target.

General Assumptions

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- The operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge; and
- We have assumed that there are no hidden or unexpected conditions associated with the Target that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

Market Multiple

JE Subject primarily engages in healthcare services that mainly provide in-patient hospital service. From FY2019 to 1H2022, JE Subject generated 99% of its revenue from healthcare services, and 74% of its revenue from in-patient hospital services. Additionally, it generated all its revenue in Mainland China.

Under guideline public company method, in determining the financial multiple, a list of comparable companies was identified. The selection criteria include the followings:

- The companies are publicly listed on HKEX, SZSE or SSE;
- The companies have been listed on HKEX, SZSE or SSE no fewer than six months;
- The companies derive more than half of their revenues from the healthcare services and more than half of the healthcare services revenues are derived from the in-patient hospital service;
- The companies derive more than half of their revenues from operating in Mainland China;
- The companies have positive net income; and
- Sufficient data, including the EV/EBITDA ratio, on the comparable companies are available as at the Valuation Date.

The comparable companies satisfying the aforementioned criteria are:

Ticker	Name	Company Description	% of Revenue from healthcare services[1]	% of Revenue from in-patient service[2]	% of Revenue from China[3]	EV/ EBITDA Ratio Before Adjustment[4]
SEHK: 6078	Hygeia Healthcare Holdings Co., Limited	Hygeia Healthcare Holdings Co., Limited operates as an oncology healthcare company in the People's Republic of China. As of December 31, 2021, it operated or managed a network of 12 oncology-focused hospitals in 9 cities in 7 Provinces in the People's Republic of China. Hygeia Healthcare Holdings Co., Limited was founded in 2009 and is headquartered in Shanghai, the People's Republic of China.	90%	68%	100%	40.12
SEHK: 1515	China Resources Medical Holdings Company Limited	China Resources Medical Holdings Company Limited, an investment holding company, provides general healthcare, and hospital management and consulting services in the People's Republic of China. The company operates in three segments: Self-Owned Hospitals, Invest-Operate-Transfer/ Operate-Transfer Hospitals, and Others. China Resources Medical Holdings Company Limited was founded in 2007 and is headquartered in Beijing, the People's Republic of China.	57%	56%	100%	9.88

Ticker	Name	Company Description	% of Revenue from healthcare services[1]	% of Revenue from in-patient service[2]	% of Revenue from China[3]	EV/ EBITDA Ratio Before Adjustment[4]
SEHK: 9906	Honliv Healthcare Management Group Company Limited	Honliv Healthcare Management Group Company Limited owns and operates a general hospital in Mainland China. The company provides medical and pharmaceutical services, and hospital management services. It also operates as the pharmaceutical wholesaler. As of December 31, 2021, the company operated and managed Henan Honliv Hospital with 1,500 beds in operation located in Henan Province. The company was founded in 2004 and is headquartered in Changyuan, China.	100%	51%	100%	10.41
SEHK: 2120	Wenzhou Kangning Hospital Co., Ltd.	Wenzhou Kangning Hospital Co., Ltd. operates a network of healthcare facilities in the People's Republic of China. It primarily focuses on providing psychiatric specialty care and elderly rehabilitation services. Wenzhou Kangning Hospital Co., Ltd. was founded in 1996 and is headquartered in Wenzhou, the People's Republic of China.	93%	87%	100%	8.47

Ticker	Name	Company Description	% of Revenue from healthcare services[1]	% of Revenue from in-patient service[2]	% of Revenue from China[3]	EV/ EBITDA Ratio Before Adjustment[4]
SEHK: 3689	Guangdong Kanghua Healthcare Co., Ltd.	Guangdong Kanghua Healthcare Co., Ltd., an investment holding company, primarily operates private hospitals in the People's Republic of China. The company operates through Hospital Services, Rehabilitation and Other Healthcare Services, Sale of Pharmaceutical Products, and Elderly Healthcare Services segments. It provides inpatient and outpatient healthcare, and physical examination services. The company was incorporated in 2002 and is headquartered in Dongguan, the People's Republic of China.	93%	60%	100%	1.99

Notes:

1. The percentage of revenue generated from healthcare services is directly extracted from annual reports of the comparable companies or calculated based on revenue segments or operating segments information if direct data is unavailable. This ratio is calculated using the average of FY2019, FY2020, FY2021 and 1H2022.

2. The percentage of revenue generated from in-patient hospital service to revenue generated from healthcare services is directly extracted from annual reports of the comparable companies or calculated based on revenue segments or operating segments information if direct data is unavailable. This ratio is calculated using the average of FY2019, FY2020, FY2021 and 1H2022.

3. The percentage of revenue generated from operating in China is directly extracted from annual reports of the comparable companies or calculated based on revenue segments, operating segments information or management discussion and analysis if direct data is unavailable. This ratio is calculated using the average of FY2019, FY2020, FY2021 and 1H2022.

4. Retrieved from S&P Capital IQ based on latest data available.

5. The list of Comparable Companies is exhaustive.

The comparable companies are often of significantly different size from the Target. Larger companies are generally perceived as less risky in relation to business operation and financial performance, and thus the expected returns are lower and resulting in higher multiples. Therefore, the base multiples were adjusted to reflect the difference in size between the comparable companies and the Target.

The adjusted EV/EBITDA Ratios were calculated using the following formula:

Adjusted EV/EBITDA Ratio $= 1/((1/M) + \alpha \times \varepsilon \times \theta)$

Where:

M = The Base EV/EBITDA Ratio

α = *The scale factor, which converts the base measure of the benefits to an alternative measure of benefits for the comparable companies*

ε = *The ratio of the equity value to the enterprise value of the comparable company*

θ = *Required adjustment in the equity discount rate for difference in size*

M is the base EV/EBITDA ratio and we take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalization rate. In this valuation, the reciprocal of the base EV/EBITDA multiple represents a capitalization rate of the enterprise value.

For the parameter θ, it was used as a desired adjustment to reflect the difference in natures between the comparable companies and the Target. With reference to the 2022 SBBI® Yearbook published by Kroll Inc. (previously Duff & Phelps), size premium differentials of 0.00%–3.91% were adopted to capture how much the market capitalization of each of the comparable companies is larger than the market value of the Target.

The ratio of the market capitalization to enterprise value ε was adopted as a weighting factor. As aforesaid, the logic behind this formula is that a pricing multiple is the reciprocal of the capitalization rate. In the case of an enterprise value multiple, the capitalization rate is driven by the weighted average cost of capital ("**WACC**") of the valuation subject. Since the size and country risk premium differentials "θ" are applicable only to the equity portion (for a listed company, market capitalization represents the market value of its equity) but not to the debt portion of the WACC, we only adjust the equity portion of the capitalization rate in this pricing multiple adjustment formula. The ratio ε was used to apply an appropriate weighting on the parameter θ so that the capitalization rate was adjusted only to the extent of its equity portion. In other words, the ratio ε takes into account of the varying capital structures among the comparable companies. Market capitalization and enterprise value of comparable companies are obtained from S&P Capital IQ.

The ratio of EBITDA to net operating profit after tax ("**NOPAT**") was used as a scale factor α, which is applied in the adjustment of the EV/EBITDA multiple. It is considered that the base measure of the benefits for enterprise value to be NOPAT (Hitchner, 2017), which is a financial measure that shows how well a company performed through its core operations net of taxes and it excludes tax savings from existing debt and one-time losses or charges. As EV/EBITDA was adopted as the pricing multiple in this valuation, EBITDA becomes an alternative measure of the benefits for enterprise value in the pricing multiple adjustment formula. Hence, α was used as a scale factor for the alternative measure of benefit. EBITDA and NOPAT of comparable companies are obtained from S&P Capital IQ.

The details of the adjustments of the comparable companies are as follows:

Ticker	Name	Total Adjustment ($\alpha \times \varepsilon \times \theta$)
SEHK: 6078	Hygeia Healthcare Holdings Co., Limited	6.25%
SEHK: 1515	China Resources Medical Holdings Company Limited	5.51%
SEHK: 9906	Honliv Healthcare Management Group Company Limited	0.00%
SEHK: 2120	Wenzhou Kangning Hospital Co., Ltd.	0.00%
SEHK: 3689	Guangdong Kanghua Healthcare Co., Ltd.	0.00%

The Adjusted EV/EBITDA Ratios of the comparable companies are shown as follows:

Ticker	Name	Adjusted EV/ EBITDA Ratio
SEHK: 6078	Hygeia Healthcare Holdings Co., Limited	11.43
SEHK: 1515	China Resources Medical Holdings Company Limited	6.40
SEHK: 9906	Honliv Healthcare Management Group Company Limited	10.41
SEHK: 2120	Wenzhou Kangning Hospital Co., Ltd.	8.47
SEHK: 3689	Guangdong Kanghua Healthcare Co., Ltd.	1.99

The median of the EV/EBITDA Ratio is calculated at 8.47 and is adopted as the EV/EBITDA Ratio for the valuation on the market value of the equity interest in the Target.

Discount for Lack of Marketability (DLOM)

A factor to be considered in valuing closely held companies such as the Target is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

For this exercise, the indicated discount for lack of marketability adopted for the equity interest in the Target is 15.80% as at the Valuation Date, based on a study *2021 edition of the Stout Restricted Stock Study Companion Guide* issued by Stout Risius Ross, LLC. The study represents the most widely used and accepted database available to valuators for DLOM determination. In the study, researchers have examined 763 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through December 2020. The overall median discount for all 763 transactions in the study is 15.80%.

Control Premiums and Discount for Lack of Control (DLOC)

Control Premium and Discount for Lack of Control (DLOC) are applied to reflect differences between the comparables and the subject asset with regard to the ability to make decisions. A Control Premium is defined as the additional consideration that an investor would pay over a marketable minority equity value in order to own a controlling interest in the common stock of a company. The Lack of Control Discount is the reduction applied to the valuation of a minority equity position in a company due to the absence of control. Minority shareholders usually have the inability to dictate the future strategic direction of the company, the election of directors, the nature, quantum and timing of their return on investment, or even the sale of their own shares. This absence of control reduces the value of the minority equity position against the total enterprise value of the company. As the Company intended to acquire 80 percent equity interest in the Target, which reflects a controlling interest, a control premium is adopted to calculate the market value of the Target.

Based on the Mergerstat Control Premium Study (4th Quarter 2022) published by FactSet Mergerstat, LLC., the control premium of 28.70% is adopted in this valuation. The Control Premium Study published by FactSet Mergerstat, LLC. is a widely accepted sources among valuers.

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from S&P Capital IQ as at the Valuation Date. We have also taken into account the two factors, including the DLOM and control premium. The calculation of the market value of the 80 percent equity interest in the Target as at the Valuation Date is as follows:

	As at 31 December 2022
	(RMB'000)
Trailing 12 months EBITDA of the Target*	77,662
Adjusted EV/EBITDA Ratio	8.47
Enterprise Value of the Target	**658,053**
Add: Cash and cash equivalents*	151,217
Less: Preferred Equity*	—
Less: Minority Interest*	—
Less: Interest-bearing bank borrowings (Current)*	(120,125)
Less: Interest-bearing bank borrowings (Non-current)*	(80,249)
Less: Borrowings from the immediate holding company*	(322,219)
Less: Lease liabilities (Current)*	(12)
Less: Lease liabilities (Non-current)*	—
100 Percent Equity Interest in Target (marketable, non-controlling)	**286,665**
Add: Control Premium (28.70%)	82,273
100 Percent Equity Interest in Target (marketable, controlling)	**368,938**
Less: Discount for Lack of Marketability (15.80%)	(58,292)
100 Percent Equity Interest in Target (non-marketable, controlling)	**310,646**
Client's equity interest in Target	**80.0%**
80 Percent Equity Interest in Target (non-marketable, controlling)	248,516
Market Value of 80 Percent Equity Interest in Target	**248,516**

Note: The trailing 12 months EBITDA of the Target was based on the unaudited financial figures for the six months ended 30 June 2021 and the six months ended 30 June 2022 provided by the Company and audited financial figures for the twelve months ended 31 December 2021 extracted from the accountants' report. Cash and cash equivalents, preferred equity, minority interest, interest-bearing bank borrowings and lease liabilities were based on the unaudited financial figures at 30 June 2022 extracted from the financial report. Borrowings from the immediate holding company was based on the data at 30 June 2022 provided by the Company. Cash and cash equivalents include Pledged Deposit (security deposit for bank acceptance bills) at 30 June 2022 extracted from the financial report.

The railing 12 months EBITDA of the Target Company is calculated as follow:

	2021.1–6	**2021**	**2022.1–6**	**2022.6 TTM**
	Unaudited	*Audited*	*Unaudited*	
Revenue	329,389	690,651	359,166	720,428
— Cost of sales	299,553	621,132	318,949	640,528
— Administrative expenses	12,924	29,187	13,821	30,084
— Impairment/(reversal of impairment) of trade receivables	177	8,030	4,406	12,259
+ Other operating income*	671	1,554	602	1,485
EBIT	**17,406**	**33,856**	**22,592**	**39,042**
+ D&A of property, plant and equipment	15,371	34,758	18,200	37,587
+ D&A of investment property	—	—	—	—
+ D&A of leases	—	200	101	301
+ D&A of intangible assets	218	507	443	732
EBITDA	**32,995**	**69,321**	**41,336**	**77,662**
	a	b	c	d = c + b – a

* Other operating income is the rental income of JE Subject. To be consistent with the Comparable Companies' EBITDA calculation, the rental income was added back accordingly.

VALUATION COMMENTS

The valuation of the market value of equity interest in the Target requires consideration of all relevant factors affecting the operation of the business related to the Target and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

— The nature of the business;

— The financial condition of the business and the economic outlook in general, and;

— The financial and business risk of the enterprise including the continuity of income and the projected future results.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. In particular, details about the assumptions can be found under the heading "Assumptions" in this Report. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 80 percent equity interest in the Target as at the Valuation Date is reasonably stated as follows:

China Resources Healthcare (Jiangxi)	**Market Value (RMB)**
80 percent equity interest	248,516,000

LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties (if any) because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results (if any) is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast (if any) provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and Jones Lang LaSalle Corporate Appraisal and Advisory Limited in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

— Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

— The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

— The reported analyses, opinions, and conclusions are independent and objective.

— The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

— The valuers' compensation is not contingent upon the quantum of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

— The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.

— The under mentioned persons provided professional assistance in the compilation of this report.

Simon M.K. Chan
Executive Director

Hunter Z.W. He
Senior Director

Scott C.Y. Zheng
Manager

Kevin H.K. Yang
Assistant Analyst

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SECURITIES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were required: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, are set out below:

Name of Director	Capacity/Nature of interest	Long position/ short position	Number of ordinary shares *(Note)*	Approximate percentage of shareholding (%)
SONG Qing	Beneficial owner	Long position	400,000	0.03
REN Yuan	Beneficial owner	Long position	300,000	0.02
WU Ting Yuk, Anthony	Beneficial owner	Long position	1,000,000	0.08

Note:

This includes also the long positions of the award shares, which have been declared to be granted by the Company to the corresponding Directors on August 31, 2018 and part of the declared award shares have been vested (the corresponding numbers of award shares are: 400,000 Shares to Mr. SONG Qing; 300,000 Shares to Ms. REN Yuan; 1,500,000 Shares to Mr. WU Ting Yuk, Anthony).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO): (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, the following person(s) (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholdings (%)
China Resources Company Limited	Interest of a controlled corporation	474,319,516(L)[(1)]	36.58
Mitsubishi UFJ Financial Group, Inc.	Interest of a controlled corporation	77,645,666(L)[(2)]	5.98

L: Long position

Notes:

1. (a) 463,681,516 of these Shares are directly held by CRH (Medical) Limited. CRH (Medical) Limited is wholly owned by CR Healthcare. CR Healthcare is wholly owned by CRH (Healthcare) Limited. CRH (Healthcare) Limited is wholly owned by CRH. CRH is wholly owned by CRC Bluesky Limited. CRC Bluesky Limited is wholly owned by CRI. CRI is wholly owned by CRC; and (b) 10,638,000 of these Shares are directly held by Commotra Company Limited which is wholly owned by CRH.

2. Mitsubishi UFJ Financial Group, Inc. is the sole shareholder of Mitsubishi UFJ Trust and Banking Corporation whilst the latter is directly holding the entire shareholding interest in First Sentier Investors Holdings Pty Ltd. First Sentier Investors Holdings Pty Ltd (via its wholly-owned subsidiary First Sentier Investors Asia Holdings Ltd) held the entire interest in First Sentier Investors (Hong Kong) Limited and the latter directly held 77,645,666 Shares (representing approximately 5.98% of the issued Shares of the Company).

Save as disclosed above, as at the Latest Practicable Date, the Directors have not been notified by any substantial or significant Shareholders or any other persons (other than the Directors or chief executives of the Company) who had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which would not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

6. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December, 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent Valuer
Maxa Capital	A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, each of the experts did not have shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts did not have any direct or indirect interests in any assets which had been, since 31 December, 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report (as the case may be) and references to its name included in this circular in the form and context in which they respectively appear.

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of the Enlarged Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) had been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) on February 22, 2023, CR Hospital Investment entered into (i) the Equity Transfer Agreement I with LR Management and (ii) the Equity and Debt Transfer Agreement II with CR Technology.

10. MISCELLANEOUS

Mr. SO Yiu Fung, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants.

The registered office of the Company is situated at 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands. The principal share registrar and transfer agent of the Company is Harneys Fiduciary (Cayman) Limited, whose address is the address of the registered office of the Company. The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The principal place of business of the Company in the PRC is at 14/F, Kunlun Center Office Building, No. 9 Fuyi Street, Fengtai District, Beijing, the People's Republic of China. The principal place of business of the Company in Hong Kong is at Room 2603, 26/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

This circular is in both English and Chinese. In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

11. DOCUMENT(S) ON DISPLAY

Electronic copies of the following documents are on display and are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.crmedical.hk) for a period of 14 days from the date of this circular:

(a) the Equity Transfer Agreement I;

(b) the Equity and Debt Transfer Agreement II;

(c) the letter from the Board, the text of which is set out on pages 8 to 38 of this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on pages 39 to 40 of this circular;

(e) the letter from Maxa Capital, the text of which is set out on pages 41 to 67 of this circular;

(f) the accountant's report on Liaoning CR Healthcare Group, the text of which is set out in Appendix II to this circular;

(g) the accountant's report on Shenzhen CR Healthcare, the text of which is set out in Appendix III to this circular;

(h) the accountant's report on the JE Subject Group, the text of which is set out in Appendix IV to this circular;

(i) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix VI to this circular;

(j) the valuation report on Liaoning CR Healthcare's equity interests, the text of which is set out in Appendix VII to the circular;

(k) the valuation report on Shenzhen CR Healthcare's equity interests, the text of which is set out in Appendix VIII to the circular;

(l) the valuation report on the JE Subject's equity interests, the text of which is set out in Appendix IX to the circular;

(m) the written consent from Ernst & Young referred to in paragraph 7 of this Appendix;

(n) the written consent from Jones Lang LaSalle Corporate Appraisal and Advisory Limited referred to in paragraph 7 of this Appendix; and

(o) the written consent from Maxa Capital referred to in paragraph 7 of this Appendix.

CR MEDICAL

China Resources Medical Holdings Company Limited
華潤醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of China Resources Medical Holdings Company Limited (the "**Company**") will be held at 14/F, Kunlun Center Office Building, No.9 Fuyi Street, Fengtai District, Beijing, the People's Republic of China on Wednesday, May 17, 2023 at 9:30 a.m. for the following purposes:

ORDINARY RESOLUTION

To consider and, if thought fit, approve the following resolution as ordinary resolution:

"**THAT:**

the execution of (i) the share transfer agreement dated February 22, 2023 (copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for identification purpose) entered into between China Resources Hospital Investment (China) Co., Ltd.* (華潤醫院投資(中國)有限公司) and LR Management Company Limited (the "**Equity Transfer Agreement I**") and (ii) the share and debt transfer agreement dated February 22, 2023 (copy of which have been produced to the EGM marked "B" and signed by the chairman of the EGM for identification purpose) entered into between China Resources Hospital Investment (China) Co., Ltd.* (華潤醫院投資(中國)有限公司) and China Resources Healthcare Technology Development (China) Co., Ltd.* (華潤健康科技產業發展(中國)有限公司) (the "**Equity and Debt Transfer Agreement II**"), by any director(s) of the Company be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved; any director(s) of the Company be and is hereby authorised to sign, execute, perfect and deliver all such documents and to affix the common seal of the Company on any such document as and when necessary and do all such deeds, acts, matters and things as he/she may in his/her discretion consider necessary or desirable for the purposes of or in connection with the implementation of the Equity Transfer Agreement I and/or the Equity and Debt Transfer Agreement II and the transactions contemplated thereunder."

Yours faithfully,
For and on behalf of the Board
China Resources Medical Holdings Company
SONG Qing
Chairman

Shenzhen, April 27, 2023

Registered office:
Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street, George Town
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

Principal place of business in Hong Kong:
Room 2603, 26/F, China Resources Building 26
Harbour Road
Wanchai, Hong Kong

Notes:

1. We wish to draw your attention to the fact that as one of the conditions precedent to completion (which cannot be waived) in the Equity Transfer Agreement I is that the Equity and Debt Transfer Agreement II having been validly signed and become effective, and, similarly, one of the conditions precedent to completion (which cannot be waived) in the Equity and Debt Transfer Agreement II is that the Equity Transfer Agreement I having been validly signed and become effective, the two agreements and the transactions contemplated thereunder are intertwined and were considered and approved by the board of directors of the Company as a single resolution. Therefore, the Equity Transfer Agreement I, the Equity and Debt Transfer Agreement II and the transactions contemplated thereunder are tabled as a single ordinary resolution at the EGM for consideration and approval.

2. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the existing memorandum and articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.

3. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

4. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.

6. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time scheduled for holding the EGM or any adjournment thereof (as the case may be).

7. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof (as the case may be) and, in such event, the form of proxy appointing a proxy shall be deemed to be revoked.

8. For the purpose of determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Friday, May 12, 2023 to Wednesday, May 17, 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than Hong Kong Time 4:30 p.m. on Thursday, May 11, 2023.

9. The resolution set out in this notice shall be decided by poll.

As at the date of this notice, the Board comprises Mr. SONG Qing, Mr. YU Hai, Ms. REN Yuan and Mr. SHAN Baojie as executive Directors; Mr. HU Hui as non-executive Director; Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Mr. LEE Kar Chung Felix and Mr. FU Tingmei as independent non-executive Directors.