

China / Hong Kong Company Update

China Resources Medical

Bloomberg: 1515 HK Equity | Reuters: 1515.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

7 Apr 2022

BUY

Last Traded Price (7 Apr 2022): HK\$4.59 (HSI : 21,809)

Price Target 12-mth: HK\$9.40 (105% upside)

Analyst

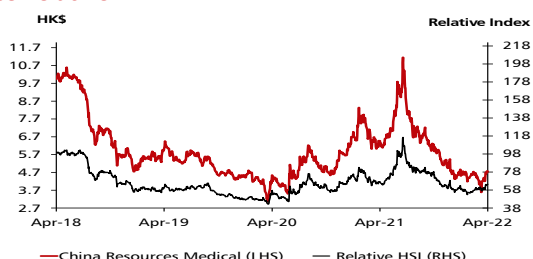
Mark Kong +852 36684187 mark_kong@dbs.com

Nico Chen +852 36684171 nicochen@dbs.com

What's New

- Potential asset injection from parent is a share price in 2022. While the market has concerns on the profitability of those assets, we believe the profitability has largely improved in 2021 and can further improve post injection
- Parent co's c.80% stake in the assets to be injected will ensure control and smooth integration after injection
- Maintain BUY for the catalysts above, HK\$9.40 TP

Price Relative



Forecasts and Valuation

FY Dec (RMBm)	2021A	2022F	2023F	2024F
Turnover	4,447	5,027	5,683	6,424
EBITDA	413	1,065	1,052	1,080
Pre-tax Profit	270	645	712	802
Net Profit	418	474	524	589
Net Pft (Pre-Ex) (core profit)	418	474	524	589
Net Profit Gth (Pre-ex) (%)	34.8	13.4	10.5	12.5
EPS (RMB)	0.32	0.37	0.40	0.45
EPS (HK\$)	0.40	0.45	0.50	0.56
EPS Gth (%)	30.5	13.4	10.5	12.5
Diluted EPS (HK\$)	0.40	0.45	0.50	0.56
DPS (HK\$)	0.12	0.14	0.15	0.17
BV Per Share (HK\$)	6.13	6.46	6.82	7.23
PE (X)	11.6	10.2	9.2	8.2
P/Cash Flow (X)	8.7	14.2	3.9	14.8
P/Free CF (X)	9.2	15.6	4.0	16.3
EV/EBITDA (X)	10.3	3.8	2.8	2.5
Net Div Yield (%)	2.6	3.0	3.3	3.7
P/Book Value (X)	0.7	0.7	0.7	0.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	6.7	7.2	7.5	8.0
Earnings Rev (%)		Nil	Nil	Nil
Consensus EPS (RMB)		0.36	0.39	0.39
Other Broker Recs:		B:4	S:1	H:2

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Injection of assets with improving profitability to drive share price

Investment Thesis

Maintain BUY on likely release of favourable policy in 2022. We estimate managing state-owned enterprise (SOE) hospitals contributed 67% of the company's earnings in 2021. The central government reiterated, in Dec 2021, that they will accelerate the release of policy supporting the development of SOE hospitals. One of the possible ways is to increase the subsidy to these hospitals, which will be positive for the share price. We estimate that every 1ppt increase in the government grant as a percentage of revenue of hospitals in the company's control would increase earnings by 5% (based on FY21A figures).

Potential asset injection from parent company is a share price driver. In 2016, the company's share price rebounded by 146% from its trough, thanks to an asset injection from China Resources Healthcare (parent co). This could happen again as the parent co has hospital assets with c.10,000 beds pending injection into the company.

The largest hospital group listed in Hong Kong and mainland China. Operating c.11,000 beds across eight provinces in China, the company is the largest hospital group listed in Hong Kong and mainland China. This allows it to capture opportunities across different regions.

Valuation:

Our TP of HK\$9.40 is based on a 1.5x FY21A P/BV, which is 1SD above its average since 2018, to reflect the potential release of favourable policies.

Where we differ:

The market has doubts about whether the government will release policies to support SOE hospitals. We believe such policies will be released.

Key Risks to Our View:

Competition in M&A of hospitals. Difficulty in consolidating hospitals acquired.

At A Glance

Issued Capital (m shrs)	1,297
Mkt Cap (HK\$m/US\$m)	6,096 / 778
Major Shareholders (%)	
China Resources Co Ltd	36.6
First Sentier Investors (Hong Kong) Limited	6.0
Free Float (%)	57.4
3m Avg. Daily Val. (US\$m)	1.81
GICS Industry: Health Care / Health Care Equipment & Services	



Watchlist the stock on Insights Direct to receive prompt updates



Live more, Bank less

China Resources Medical

WHAT'S NEW

Injection of assets with improving quality to drive share price

We had arranged a full-day non-deal roadshow for the company's top management in late March.

Reading through the annual results announcements of 2019, 2020, 2021, only the 2021 statement mentioned that the company plans to "inject high-quality medical resources from the China Resources Group at opportune times". We believe the possibility of asset injection from the parent company has now increased. Therefore, investors attending the non-deal roadshow were interested to figure out the profitability of this occurring.

Based on the 2021 results presentation of the company, we estimate the potential asset injection can double the capacity of the company in terms of bed numbers. The hospital assets that could be injected are in the Liaoning and Jiangxi Provinces, with 12,115 beds and annual revenue of Rmb3.9bn in aggregate. The company had mentioned that the profitability of an asset injection had improved in 2021, and we believe this is more so for the hospitals in Liaoning which make up 80% of the assets earmarked. Our reasons are as follows:

- a) Based on SINA citing figures from State-owned Assets & Supervision Administration Commission in Jan 2022 ([国资委：央企办医疗改革基本完成、成效显著 | 医疗机构 | 中央企业 | 国务院国资委 新浪科技 新浪网 \(sina.com.cn\)](#)), the parent company has been managing the hospitals in Liaoning for three years. There are 35 medical institutes under management in Liaoning. Out of these hospitals, the number of hospitals that incurred a net loss has decreased from 22 three years ago to 6. The aggregate net loss of these loss-making hospitals has narrowed from Rmb160m to Rmb12m in three years.
- b) Based on the parent company's website ([华润健康动态--华润健康 \(crhealthcare.com.hk\)](#)), the hospitals in Liaoning have been successful in 2021 and are the benchmark for other hospitals within the group. This achievement is recognised by the State-owned Assets Supervision & Administration Commission.

We estimate the annual net profit of those assets is at least Rmb118m. The basis of our estimate is:

- a) The parent company has assigned Yoe Supply Chain to implement collective procurement of drugs and

medical consumables for the hospitals in Liaoning province; annual cost savings is c.Rmb130m (see: [辽宁健康产业集团带量采购服务,上海药易供应链 \(chinamscp.com\)](#))

- b) As mentioned in the SINA report above, the aggregate net loss of the 6 loss-making hospitals in Liaoning is close to Rmb12m.
- c) Annual cost savings of Rmb130m minus net loss of Rmb12m = Rmb118m.

A smooth integration with the company after asset injection is crucial to achieve synergy. A good control of these assets is the key towards smooth integration. The parent company owns c.80% stake in those hospitals in Liaoning and Jiangxi provinces. We believe the parentco will transfer the stake to the company which is able to undertake a smooth integration of the acquired assets.

The timing and valuation of the injection is still unclear. This will be a significant acquisition for the company, as the number of beds to be acquired is about the same as the company already owns. We estimate that might involve the issuance of new shares, but it won't happen in the near term, as the stock is still trading at below 1x P/B now.

Another point of interest from investors attending the non-deal road show is favourable policy for SOE hospitals. While the market focuses on the possible increase of subsidy to SOE hospitals, based on our discussion with the company during the road show, we estimate the government will also increase the opportunity for doctors in SOE hospitals in terms of upgrading their professional ranking (e.g., from junior doctor to mid-level doctor) by allocating more R&D projects there. Participation in these projects and issuing academic papers are major ways to gain recognition in the industry and upgrade their professional ranking. These projects are mainly allocated by the National Health Commission and Ministry of Science & Technology to government hospitals. Thus, increasing these projects in SOE hospitals will increase the opportunity for doctors there to upgrade their professional ranking. This is crucial for attracting talent in the long run.

Maintain BUY. TP HK\$9.40.

China Resources Medical

Company Background

Operating with c.11,000 beds, the company is the largest hospital group listed in Hong Kong and mainland China in terms of operating scale. In Oct 2016, China Resources Group took over the company and holds a 36% stake currently. China Resources Group is an SOE directly under the State-owned Assets Supervision & Administration Commission of the State Council (SASAC).

Interim Income Statement (RMBm)

FY Dec	2H2020	1H2021	2H2021	% chg y-o-y	% chg h-o-h
Revenue	1,843	1,772	2,675	45.1	51.0
Cost of Goods Sold	(1,452)	(1,378)	(2,136)	47.1	55.1
Gross Profit	391	395	539	37.8	36.6
Other Oper. (Exp)/Inc	(206)	(181)	(606)	194.1	234.5
Operating Profit	185	213	(67)	(136.1)	(131.3)
Other Non Opg (Exp)/Inc	0	0	0	nm	nm
Associates & JV Inc	35	44	40	15.3	(8.9)
Net Interest (Exp)/Inc	37	32	8	(77.2)	(73.8)
Exceptional Gain/(Loss)	6	(19)	19	244.8	(200.0)
Pre-tax Profit	262	270	1	(99.5)	(99.5)
Tax	(52)	(65)	220	(524.3)	(439.7)
Minority Interest	(8)	(6)	(2)	74.9	(67.7)
Net Profit	202	199	219	8.0	9.7
Net profit bef Except.	197	218	201	1.4	(8.6)
EBITDA	220	257	(26)	nm	nm
Margins (%)					
Gross Margins	21.2	22.3	20.1		
Opg Profit Margins	10.0	12.0	(2.5)		
Net Profit Margins	11.0	11.2	8.2		

Source: Company, DBS HK

Income Statement (RMB m)

FY Dec	2020A	2021A	% chg v-o-v
Revenue	2,751	4,447	61.7
Cost of Goods Sold	(2,114)	(3,514)	66.2
Gross Profit	637	934	46.7
Other Opng (Exp)/Inc	(313)	(787)	151.5
Operating Profit	324	147	(54.7)
Other Non Opg (Exp)/Inc	0	0	nm
Associates & JV Inc	35	84	138.9
Net Interest (Exp)/Inc	60	40	(32.3)
Exceptional Gain/(Loss)	0	0	nm
Pre-tax Profit	418	270	(35.3)
Tax	(98)	155	(258.8)
Minority Interest	(10)	(8)	22.0
Net Profit	310	418	34.8
Net Profit before Except.	310	418	34.8
EBITDA	472	413	(12.5)
Margins & Ratio			
Gross Margins (%)	23.1	21.0	
Opg Profit Margin (%)	11.8	3.3	
Net Profit Margin (%)	11.3	9.4	

Source: Company, DBS HK

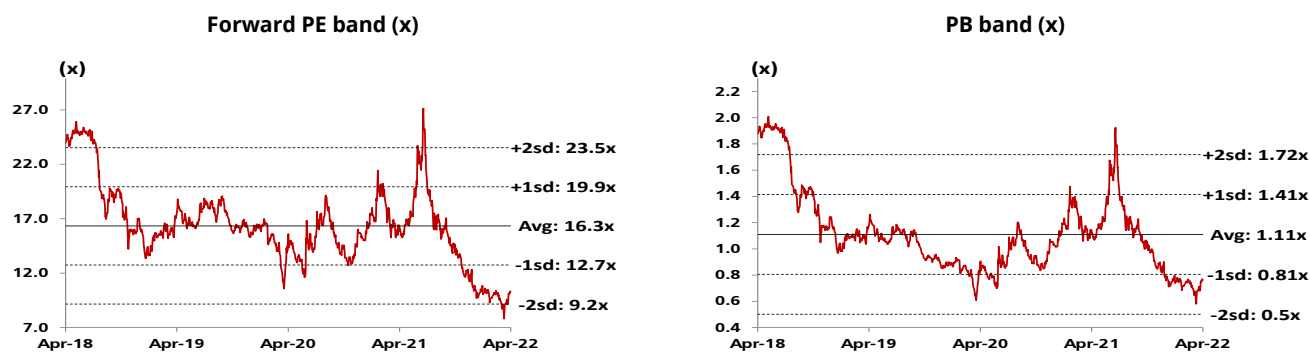
China Resources Medical

Income Statement (RMB m)

FY Dec	2021A	2022F	% chg v-o-v
Revenue	4,447	5,027	13.0
Cost of Goods Sold	(3,514)	(3,891)	10.7
Gross Profit	934	1,136	21.7
Other Opng (Exp)/Inc	(787)	(550)	(30.1)
Operating Profit	147	586	299.8
Other Non Opg (Exp)/Inc	0	0	nm
Associates & JV Inc	84	84	0.0
Net Interest (Exp)/Inc	40	(25)	nm
Exceptional Gain/(Loss)	0	0	nm
Pre-tax Profit	270	645	138.4
Tax	155	(161)	(203.8)
Minority Interest	(8)	(10)	(21.7)
Net Profit	418	474	13.4
Net Profit before Except.	418	474	13.4
EBITDA	413	1,065	157.8
Margins & Ratio			
Gross Margins (%)	21.0	22.6	
Opg Profit Margin (%)	3.3	11.7	
Net Profit Margin (%)	9.4	9.4	

Source: Company, DBS HK

Historical PE and PB band



Source: Thomson Reuters, DBS HK

China Resources Medical

Key Assumptions

FY Dec	2020A	2021A	2022F	2023F	2024F
General hospitals services - revenue growth %	127.9	87.9	13.0	13.0	13.0
Hospital management services - revenue growth %	(42.1)	17.9	13.0	13.0	13.0
Supply chain business - revenue growth %	(9.6)	25.2	13.0	13.0	13.0
SG&A % in total sales	12.6	11.1	11.0	11.0	11.0

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenues (RMB m)					
General hospital services	1,644	3,089	3,490	3,944	4,456
Hospital management services	259	306	345	390	441
Group purchasing organization services	822	1,028	1,162	1,313	1,484
Others	26	25	30	36	44
Total	2,751	4,447	5,027	5,683	6,424
Gross margin (RMB m)					
General hospital services	214	0	576	651	735
Hospital management services	233	0	325	367	414
Group purchasing organization services	184	0	279	315	356
Others	6	(5)	10	12	14
Total	637	934	1,136	1,276	1,445
Gross margin Margins (%)					
General hospital services	13.0	0.0	16.5	16.5	16.5
Hospital management services	90.0	0.0	94.0	94.0	94.0
Group purchasing organization services	22.3	0.0	24.0	24.0	24.0
Others	22.5	(18.4)	33.0	33.0	33.0
Total	23.1	21.0	22.6	22.5	22.5

Source: Company, DBS HK

China Resources Medical

Income Statement (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenue	2,751	4,447	5,027	5,683	6,424
Cost of Goods Sold	(2,114)	(3,514)	(3,891)	(4,407)	(4,979)
Gross Profit	637	934	1,136	1,276	1,445
Other Opng (Exp)/Inc	(313)	(787)	(550)	(622)	(704)
Operating Profit	324	147	586	654	742
Other Non Opng (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	35	84	84	84	84
Net Interest (Exp)/Inc	60	40	(25)	(25)	(24)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	418	270	645	712	802
Tax	(98)	155	(161)	(178)	(200)
Minority Interest	(10)	(8)	(10)	(11)	(12)
Preference Dividend	0	0	0	0	0
Net Profit	310	418	474	524	589
Net Profit before Except.	310	418	474	524	589
EBITDA	472	413	1,065	1,052	1,080
Growth					
Revenue Gth (%)	30.0	61.7	13.0	13.0	13.0
EBITDA Gth (%)	(15.2)	(12.5)	157.8	(1.2)	2.6
Opg Profit Gth (%)	(33.8)	(54.7)	299.8	11.5	13.5
Net Profit Gth (%)	(20.7)	34.8	13.4	10.5	12.5
Margins & Ratio					
Gross Margins (%)	23.1	21.0	22.6	22.5	22.5
Opg Profit Margin (%)	11.8	3.3	11.7	11.5	11.5
Net Profit Margin (%)	11.3	9.4	9.4	9.2	9.2
ROAE (%)	5.2	6.7	7.2	7.5	8.0
ROA (%)	3.7	4.3	4.5	4.8	5.2
ROCE (%)	3.4	1.8	5.0	5.3	5.8
Div Payout Ratio (%)	30.4	30.3	30.3	30.3	30.3
Net Interest Cover (x)	NM	NM	23.8	26.5	31.4

Source: Company, DBS HK

Interim Income Statement (RMB m)

FY Dec	2H2019	1H2020	2H2020	1H2021	2H2021
Revenue	1,150	907	1,843	1,772	2,675
Cost of Goods Sold	(734)	(662)	(1,452)	(1,378)	(2,136)
Gross Profit	417	245	391	395	539
Other Oper. (Exp)/Inc	(162)	(107)	(206)	(181)	(606)
Operating Profit	255	138	185	213	(67)
Other Non Opng (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	3	0	35	44	40
Net Interest (Exp)/Inc	24	23	37	32	8
Exceptional Gain/(Loss)	5	(6)	6	(19)	19
Pre-tax Profit	287	156	262	270	1
Tax	(75)	(46)	(52)	(65)	220
Minority Interest	(4)	(2)	(8)	(6)	(2)
Net Profit	208	108	202	199	219
Net profit bef Except.	203	113	197	218	201
Growth					
Revenue Gth (%)	(17.6)	(6.0)	60.2	95.3	45.1
Opg Profit Gth (%)	(5.9)	(40.8)	(27.3)	54.2	(136.1)
Net Profit Gth (%)	(9.2)	(41.2)	(2.6)	85.0	8.0
Margins					
Gross Margins (%)	36.2	27.0	21.2	22.3	20.1
Opg Profit Margins (%)	22.2	15.3	10.0	12.0	(2.5)
Net Profit Margins (%)	18.1	11.9	11.0	11.2	8.2

Source: Company, DBS HK

China Resources Medical

Balance Sheet (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Net Fixed Assets	805	1,755	1,402	1,125	908
Invt in Associates & JVs	555	1,265	1,265	1,265	1,265
Other LT Assets	3,456	3,524	3,513	3,504	3,495
Cash & ST Invt	2,866	2,635	2,878	3,988	4,187
Inventory	142	185	151	170	193
Debtors	618	767	855	966	1,092
Other Current Assets	520	338	338	338	338
Total Assets	8,963	10,468	10,399	11,354	11,474
ST Debt	684	1,666	1,666	1,666	1,666
Creditors	564	828	402	966	642
Other Current Liab	959	950	950	950	950
LT Debt	0	0	0	0	1
Other LT Liabilities	416	177	177	177	177
Shareholder's Equity	6,105	6,451	6,798	7,178	7,609
Minority Interests	235	396	405	416	428
Total Cap. & Liab.	8,963	10,468	10,399	11,354	11,474
Non-Cash Wkg. Capital	(242)	(488)	(9)	(442)	30
Net Cash/(Debt)	2,182	969	1,212	2,322	2,520
Debtors Turn (avg days)	82.1	56.8	58.9	58.5	58.5
Creditors Turn (avg days)	73.5	76.2	64.2	61.0	62.1
Inventory Turn (avg days)	18.6	17.9	17.5	14.3	14.0
Asset Turnover (x)	0.3	0.5	0.5	0.5	0.6
Current Ratio (x)	1.9	1.1	1.4	1.5	1.8
Quick Ratio (x)	1.6	1.0	1.2	1.4	1.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	29.5	1.9	1.9	1.8	1.7
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

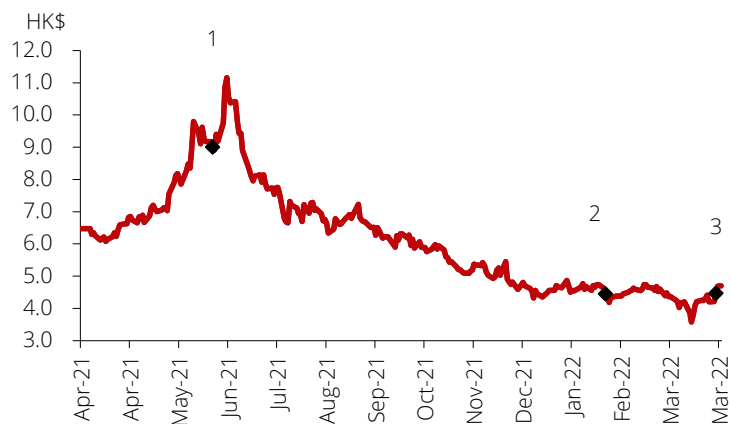
Cash Flow Statement (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Pre-Tax Profit	418	270	645	712	802
Dep. & Amort.	113	183	395	315	256
Tax Paid	(98)	155	(161)	(178)	(200)
Assoc. & JV Inc/(loss)	(35)	(84)	(84)	(84)	(84)
(Pft)/Loss on disposal of FAs	0	0	0	0	0
Chg in Wkg. Cap.	486	72	(479)	433	(472)
Other Operating CF	(241)	(40)	25	25	24
Net Operating CF	644	557	341	1,223	325
Capital Exp. (net)	(202)	(32)	(31)	(30)	(29)
Other Invt. (net)	224	(128)	0	0	0
Invt in Assoc. & JV	(42)	(709)	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	81	58	22	22	23
Net Investing CF	60	(811)	(9)	(8)	(6)
Div Paid	(115)	(91)	(127)	(143)	(159)
Chg in Gross Debt	140	982	0	0	1
Capital Issues	0	0	0	0	0
Other Financing CF	(32)	(1,014)	37	37	37
Net Financing CF	(7)	(123)	(90)	(107)	(121)
Currency Adjustments	(2)	0	0	0	0
Chg in Cash	695	(377)	242	1,109	199
Opg CFPS (RMB)	0.13	0.37	0.63	0.61	0.61
Free CFPS (RMB)	0.35	0.40	0.24	0.92	0.23

Source: Company, DBS HK

China Resources Medical

Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	15-Jun-21	HK\$9.17	HK\$8.40	Hold
2:	25-Jan-22	HK\$4.63	HK\$8.40	Buy
3:	29-Mar-22	HK\$4.21	HK\$9.40	Buy

Source: DBS HK

Analyst: Mark Kong
Nico Chen

China Resources Medical

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 7 Apr 2022 16:45:20 (HKT)

Dissemination Date: 7 Apr 2022 17:20:57 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank (Hong Kong) Limited ("DBS HK"). This report is solely intended for the clients of DBS Bank Ltd., DBS HK, DBS Vickers (Hong Kong) Limited ("DBSV HK"), and DBS Vickers Securities (Singapore) Pte Ltd. ("DBSVS"), its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS HK.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., DBS HK, DBSV HK, DBSVS, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

China Resources Medical

Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.


COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBSVS or their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 5 Apr 2022.
2. **Compensation for investment banking services:**
DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.
3. **Disclosure of previous investment recommendation produced:**
DBS Bank Ltd, DBSVS, DBS HK, their subsidiaries and/or other affiliates of DBSVUSA may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed on page 1 of this report to view previous investment recommendations published by DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA in the preceding 12 months.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	<p>This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBS Bank Ltd, DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
Hong Kong	This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;"> Wong Ming Tek, Executive Director, ADBSR</p>
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6878 8888 for matters arising from, or in connection with the report.
Thailand	<p>This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.</p> <p>For any query regarding the materials herein, please contact [Chanpen Sirithanarattanaku] at [research@th.dbs.com]</p>
United Kingdom	<p>This report is produced by DBS HK which is regulated by the Hong Kong Monetary Authority</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>

<p>Dubai International Financial Centre</p>	<p>This communication is provided to you as a Professional Client or Market Counterparty as defined in the DFSA Rulebook Conduct of Business Module (the "COB Module"), and should not be relied upon or acted on by any person which does not meet the criteria to be classified as a Professional Client or Market Counterparty under the DFSA rules.</p> <p>This communication is from the branch of DBS Bank Ltd operating in the Dubai International Financial Centre (the "DIFC") under the trading name "DBS Bank Ltd. (DIFC Branch)" ("DBS DIFC"), registered with the DIFC Registrar of Companies under number 156 and having its registered office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates.</p> <p>DBS DIFC is regulated by the Dubai Financial Services Authority (the "DFSA") with a DFSA reference number F000164. For more information on DBS DIFC and its affiliates, please see http://www.dbs.com/ae/our--network/default.page.</p> <p>Where this communication contains a research report, this research report is prepared by the entity referred to therein, which may be DBS Bank Ltd or a third party, and is provided to you by DBS DIFC. The research report has not been reviewed or authorised by the DFSA. Such research report is distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBS DIFC.</p> <p>Unless otherwise indicated, this communication does not constitute an "Offer of Securities to the Public" as defined under Article 12 of the Markets Law (DIFC Law No.1 of 2012) or an "Offer of a Unit of a Fund" as defined under Article 19(2) of the Collective Investment Law (DIFC Law No.2 of 2010).</p> <p>The DFSA has no responsibility for reviewing or verifying this communication or any associated documents in connection with this investment and it is not subject to any form of regulation or approval by the DFSA. Accordingly, the DFSA has not approved this communication or any other associated documents in connection with this investment nor taken any steps to verify the information set out in this communication or any associated documents, and has no responsibility for them. The DFSA has not assessed the suitability of any investments to which the communication relates and, in respect of any Islamic investments (or other investments identified to be Shari'a compliant), neither we nor the DFSA has determined whether they are Shari'a compliant in any way.</p> <p>Any investments which this communication relates to may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on any investments. If you do not understand the contents of this document you should consult an authorised financial adviser.</p>
<p>United States</p>	<p>This report was prepared by DBS HK. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.</p>
<p>Other jurisdictions</p>	<p>In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.</p>

DBS Bank (Hong Kong) Limited

13th Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

China Resources Medical

DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Carol Wu

13th Floor One Island East,
18 Westlands Road, Quarry Bay, Hong Kong

Tel: 852 3668 4181

Fax: 852 2521 1812

e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua

12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982

Tel: 65 6878 8888

e-mail: groupresearch@dbs.com

Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif

DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia

Tel: 62 21 3003 4900

Fax: 6221 3003 4943

e-mail: indonesiaesearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul

989 Siam Piwat Tower Building,
9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Bangkok Thailand 10330

Tel. 66 2 857 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

Securities and Exchange Commission, Thailand