環球醫療金融與技術咨詢服務有限公司

UNIVERSAL MEDICAL FINANCIAL & TECHNICAL ADVISORY SERVICES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability) Stock code : 2666

Annual Report 2016

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Directors

Mr. Zhang Yichen *(Chairman)*
Mr. Jiang Xin *(Vice Chairman)*

Executive Directors

Mr. Guo Weiping
(Chief Executive Officer)
Ms. Peng Jiahong
(Chief Financial Officer)

Non-executive Directors

Mr. Liu Zhiyong
Mr. Liu Xiaoping
Mr. Su Guang
Mr. Zeng Yu*
Mr. Chen Weisong**

Independent Non-executive Directors

Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Kong Wei
Mr. Han Demin*
Mr. Lim Yean Leng***

AUDIT COMMITTEE

Mr. Li Yinquan *(Chairman)*
Mr. Liu Xiaoping
Mr. Chow Siu Lui

REMUNERATION COMMITTEE

Mr. Chow Siu Lui *(Chairman)*
Mr. Zeng Yu*
Mr. Han Demin*
Mr. Chen Weisong**
Mr. Lim Yean Leng***

NOMINATION COMMITTEE

Mr. Zhang Yichen *(Chairman)*
Mr. Chow Siu Lui
Mr. Kong Wei

STRATEGY COMMITTEE

Mr. Jiang Xin *(Chairman)*
Mr. Zhang Yichen
Mr. Guo Weiping

RISK CONTROL COMMITTEE

Mr. Su Guang *(Chairman)*
Mr. Liu Zhiyong
Ms. Peng Jiahong

COMPANY SECRETARY

Ms. Cheng Pik Yuk

AUTHORISED REPRESENTATIVES

Ms. Peng Jiahong
Ms. Cheng Pik Yuk

REGISTERED OFFICE

Room 702, Fairmont House
8 Cotton Tree Drive
Central
Hong Kong#

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

8/F, Zhongyi Tower
No. 6 Xizhimenwai Avenue
Xicheng District
Beijing, China

SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Ernst & Young

LEGAL ADVISERS

Wilson Sonsini Goodrich & Rosati
Chiu & Partners

COMPLIANCE ADVISER

Somerley Capital Limited

PRINCIPAL BANKERS

Bank of Communications, Beijing
Fuwai Subbranch
Bank of China (Hong Kong)
Limited

COMPANY'S WEBSITE

www.universalmsm.com

STOCK CODE

2666

* Appointed on 13 April 2016
** Resigned on 13 April 2016
*** Resigned on 29 February 2016

\# With effect from 23 August 2016

DEFINITION

"AGM"	the annual general meeting of the Company to be held on 5 June 2017
"Articles"	the Company's article of association
"associate"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"CBRC"	China Banking Regulatory Commission
"CFDA"	Chinese Food and Drug Administration
"CG Code''	the "Corporate Governance Code'' contained in Appendix 14 to the Listing Rules
"CITIC Capital Leasing"	CITIC Capital Leasing Ltd., a company incorporated under the laws of Cayman Islands on 16 September 2011 with limited liability
"close associate"	has the meaning ascribed thereto under the Listing Rules
"CNTIC"	China National Technical Import & Export Corporation (中國技術進出口總公司), a company incorporated in the PRC and a wholly-owned subsidiary of GT-PRC
"Company" or "Universal Medical"	Universal Medical Financial & Technical Advisory Services Company Limited (環球醫療金融與技術咨詢服務有限公司) (formerly known as Universal Medical Services & Health Management Company Limited (環球醫療服務有限公司) and Universal International Leasing Co., Limited (環球國際租賃有限公司)), a company incorporated with limited liability under the laws of Hong Kong on 19 April 2012
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong, which has become effective from 3 March 2014), as amended, supplemented or otherwise modified from time to time
"connected person"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"COSO"	the Committee of Sponsoring Organizations of the Treadway Commission
"CULC"	China Universal Leasing Co., Ltd. (中國環球租賃有限公司), a wholly foreign-owned enterprise incorporated in China on 1 November 1984 and a wholly-owned subsidiary of our Company
"CVA"	cerebral vascular accident
"Director(s)"	the director(s) of the Company

DEFINITION

"ESG Report"	Environmental, Social and Governance Report
"Evergreen"	Evergreen021 Co., Ltd, a company incorporated under the laws of the British Virgin Islands on 14 August 2014 with limited liability
"First Affiliated Hospital"	First Affiliated Hospital of Xi'an Jiaotong University (西安交通大學第一附屬醫院)
"GDP"	gross domestic product
"Group", "our Group", "we" or "us"	the Company and its subsidiaries
"GT-HK"	Genertec Hong Kong International Capital Limited (通用技術集團香港國際資本有限公司), a company incorporated under the laws of Hong Kong on 24 March 1994 with limited liability, an indirect wholly-owned subsidiary of GT-PRC
"GT-PRC"	China General Technology (Group) Holding Company Limited (中國通用技術(集團) 控股有限責任公司), a state-owned enterprise, which is under the direct administration of the PRC central government
"GT-PRC Finance"	Genertec Finance Co., Ltd (通用技術集團財務有限責任公司), a company established in the PRC, held by GT-PRC and CNTIC as to 95% and 5%, respectively
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKICS"	Hong Kong Institute of Chartered Secretaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"ICBCI"	ICBC International Wealth Investment Limited, a company incorporated under the laws of the British Virgin Islands on 19 September 2014 with limited liability
"ICSA"	Institute of Chartered Secretaries and Administrators
"IPO"	initial public offering
"ITCCL"	International Technological Cooperation Co., Ltd (國際技術合作有限公司), a company incorporated under the laws of the British Virgin Islands on 14 August 2014 with limited liability
"Listing Date"	8 July 2015, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NHFPC"	National Health and Family Planning Commission
"Nomination Committee"	the nomination committee of the Board
"OPCO"	Operating company established to provide services including procurement and logistics to International Land Port Hospital, First Affiliated Hospital and other third party hospitals
"PBOC"	the People's Bank of China
"PPN"	private placement note
"PPP"	public private partnership
"PRC" or "China"	The People's Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus issued by the Company on 24 June 2015
"Remuneration Committee"	the remuneration committee of the Board
"Risk Control Committee"	the risk control committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Securities Dealing Code"	the Company's own code of conduct regarding directors' and employee's dealings in the Company's securities
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"SOE"	State-owned enterprise
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Tianjin Leasing"	Universal International Financial Leasing (Tianjin) Co., Ltd. (環球國際融資租賃(天津)有限公司), a company incorporated in China on 10 December 2014 and a wholly owned subsidiary of our Company
"Uni-One"	Universal Number One Co., Ltd, a company incorporated with limited liability under the laws of the Cayman Islands on 30 June 2008 and a direct wholly-owned subsidiary of our Company

"Uni-Two"	Universal Number Two Co., Ltd, a company incorporated with limited liability under the laws of the Cayman Islands on 30 June 2008 and a direct wholly-owned subsidiary of our Company
"USA" or "U.S."	United States of America
"USD"	United States dollars, the lawful currency of the United States
"VAT"	Value-added tax
"WHSL"	World Health Service Limited (世界健康服務有限公司), a company incorporated under the laws of BVI on 18 June 2014 with limited liability
"Xi'an Ronghui"	Xi'an Ronghui Hospital Construction Management Co., Ltd. (西安融慧醫院建設管理有限公司), a wholly-owned subsidiary of our Company
"Xi'an Wanheng"	Xi'an Wanheng Medical Technology Development Co., Ltd. (西安萬恒醫療科技發展有限公司), a company jointly established by Xi'an Ronghui and First Affiliated Hospital under the laws of the PRC, owned as to 80% by Xi'an Ronghui and 20% by First Affiliated Hospital

CORPORATE PROFILE

Universal Medical Financial & Technical Advisory Services Company Limited and its subsidiaries are currently the leading integrated healthcare services provider in China. Focusing on the fast-growing healthcare service industry in China and leveraging on our diversified healthcare resources platform and tremendous financial strength, we have been committed to building up hospitals' comprehensive strengths in terms of healthcare technology, service quality, operating efficiency as well as managerial capacity.

The largest shareholder of the Company is China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), one of the key state-owned enterprises under direct administration of the PRC central government and also a Fortune Global 500 company.

Since our incorporation, leveraging on our considerable insights into healthcare industry and rich experience of providing services to hospitals over the years, strong financial position and proficient business developing capability, we have accumulated over a thousand hospital customers throughout China, established sound cooperation with hundreds of domestic and foreign well-known medical experts and academic leaders and formed strategic partnerships with famous healthcare services institutions in America and European countries, including those from China, the United States, the United Kingdom and Germany. Through our continuous expansion of healthcare resources, we have established a unique and innovative business model, providing customers with integrated healthcare solutions, which comprise healthcare financial services, hospital investment and management services, healthcare technology services with clinical department upgrade as the core and healthcare digitalization services. Our headquarters is located in Hong Kong and we have set up an operation center in Beijing. We have also successively established four subsidiaries in Tianjin Free Trade Zone, set up or acquired three subsidiaries in connection with the International Land Port Hospital of the First Affiliated Hospital, and founded representative offices in central cities of various provinces in China such as Guangdong, Shaanxi, Shandong, Henan, Hunan, Sichuan and Heilongjiang, further strengthening our business network where successful experience anywhere could be learned to guide the work in its surrounding area and then covers nationwide.

We will firmly seize good opportunities from the growing healthcare industry in China and be committed to promoting China's healthcare service industry. We will widely establish strategic alliances with both domestic and foreign leading professional healthcare organizations, well-known experts and international medical equipment suppliers, expanding healthcare resources platform, solidifying foundation for development and deepening professional services so as to fulfil social responsibility during the course of our development and enhance corporate value through continuous innovation.

CEO'S STATEMENT

Dear Shareholders,

In 2016, the healthcare system reform of China entered deep waters. It was clearly stated in the "Healthy China 2030" plan that the reform shall be focused on "optimizing healthcare services, promoting healthy lifestyles, developing healthcare industry, improving health security, and building a healthy environment" to transform the development mode of healthcare sector and to strategically prioritize the development of healthcare industry. At the 2016 National Health and Well-being Convention, president Xi Jinping emphasized on the reinforcement of the construction of basic healthcare system so as to make breakthroughs in hierarchical medical system, modern hospital management system, universal coverage of medical insurance system, medicine supply system and integrated regulation system. With the deepening of healthcare reform and the introduction of various state policies, the healthcare industry in China has a promising prospect.

The theory of "Six Driving Forces" undertaken by state-owned enterprises in the process of ensuring and improving people's livelihood, promoting economic development and deepening the reform was elaborated on the Central Economic Working Conference on 14 December 2016, which demonstrated the leading role played by state-owned enterprises in social development. As a subsidiary of a key state-owned enterprise, Universal Medical proactively responds to national policies by speeding up the development of various sectors in the healthcare industry, so as to make contribution to the development of the healthcare industry in China.

During the year, in addition to a steady growth in financial and advisory business, we followed the healthcare policies and captured market opportunities to expand our medical resources and vigorously advanced our hospital investment and management business. In 2016, the Company recorded a total revenue of RMB2,701 million, a 23.1% increase over the previous year; and profit before tax of RMB1,206 million, a 34.0% increase over the previous year. We maintained good asset quality, further improved risk management system and enhanced financing capabilities. Our hospital investment and management business has made substantive breakthroughs and the layout of integrated healthcare services has been implemented step by step.

During the year, our hospital investment and management business achieved substantive breakthroughs. On 30 August 2016, we entered into an agreement with the First Affiliated Hospital in relation to the joint establishment of the International Land Port Hospital. To implement the transactions contemplated under the cooperation agreement, we have set up a project company as the construction and operating entity of the International Land Port Hospital. An operating company has been co-established by the First Affiliated Hospital and us as the medical service platform that integrates healthcare resources and provides medical supply chain services and commercial ancillary services for the First Affiliated Hospital, the International Land Port Hospital. It will further expand its business to provide services for the operation management of other partnered hospital in Northwest China in the future. A supply chain company has been acquired by the operating company as the operating entity for the medicines supply chain business of the existing and newly-built hospitals. We are carrying out other parts of the project in an orderly manner as planned. Through the introduction of capital, talents and mechanisms, we will consider the requirements of local healthcare development and enhance the operational standard of the International Land Port Hospital in terms of facilities construction, medical services, operation and management, and a state-level regional healthcare centre in Northwestern China will be established. In addition, in June 2016, we also entered into a framework agreement with the Second Affiliated Hospital of Zhengzhou University in connection with the joint establishment of the International Airport Hospital. In August 2016, we entered into a framework agreement with Handan First Hospital in connection with the joint establishment of its East Branch. Projects in other regions are also well underway.

During the year, we adhered to making steady progress in our healthcare technology service business. The Company co-organised the Sino-US Health Summit in Xi'an, Shaanxi Province on 2 September 2016, and sponsored the fifth sub-forum titled "the Prevention and Control of CVA". The summit effectively raised the profile of Universal Medical and its awareness among hospital customers and industry experts. In addition, we commenced strategic cooperation with 68 international healthcare services institutions. Leveraging on our diversified domestic and international healthcare resources platform, we continued to enhance its healthcare technology service capabilities, and further strengthened its clinical department upgrade services in obstetrics and gynecology, oncology, cardiology and other complicated diseases. In 2016, the gross profit of clinical department upgrade services of the Company reached RMB131 million, representing an increase of RMB7.81 million or 6.4% over that in 2015.

Looking forward, in view of the state policies on the healthcare system reform and the lifting of restrictions on social capital participation in healthcare industry, we will integrate our internal prime resources, improve our capabilities of providing comprehensive healthcare services, steadily continue to explore the healthcare service market, and build a national healthcare service network. Leveraging on our own experience and drawing on successful experience from the industry, we will proactively accomplish healthcare business matrix, promote the synergistic development of healthcare finance, hospital investment and management, healthcare technology services and healthcare informatisation, build an integrated industry chain for healthcare services, and strive to become a best-in-class integrated healthcare services provider.

Finally, on behalf of the management and staff of Universal Medical, I would like to express our gratitude to the investors, customers and business partners who expressed support and concern to the growth of Universal Medical. In the future, we will closely follow the medical industry development, stick to innovations, care for people's wellbeing and provide quality healthcare services to be responsible for employees, customers, shareholders and society for a sustainable development of healthcare business.

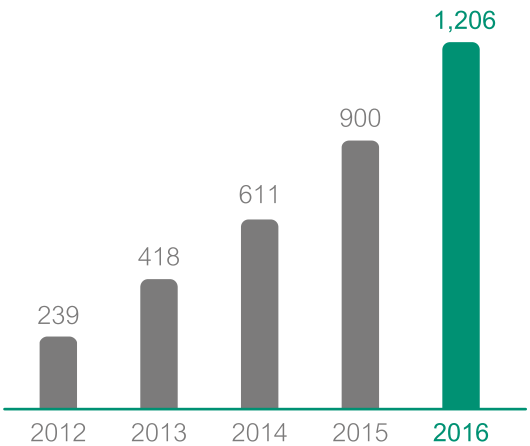
Best regards,
Guo Weiping
Executive Director and Chief Executive Officer
Universal Medical Financial & Technical Advisory Services Company Limited

Bring Healthier Lives For Chinese With Quality Healthcare Service

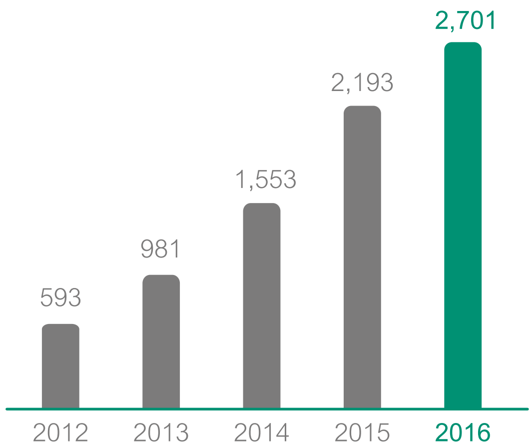


PERFORMANCE OVERVIEW

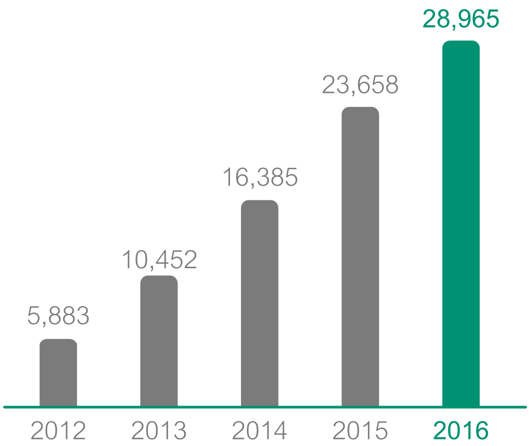
Profit before tax RMB million



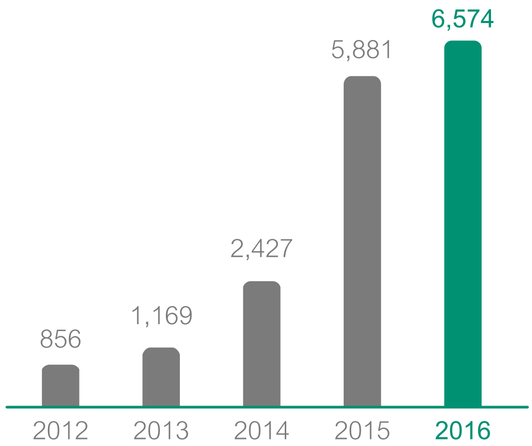
Income RMB million



Total asset RMB million



Total equity RMB million



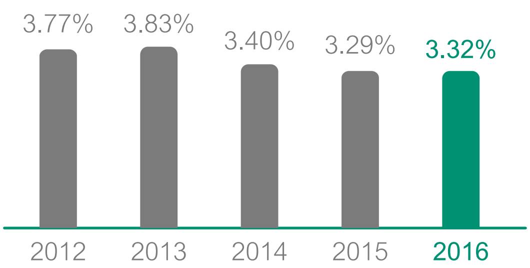
Precentage of medical assets in the lease receivables

71.6 %

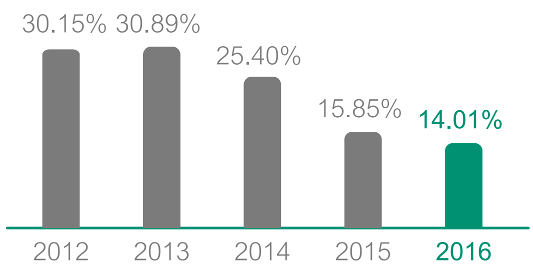
BVPS

3.83 RMB

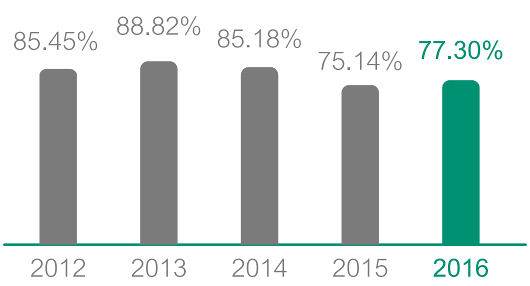
Return on total assets



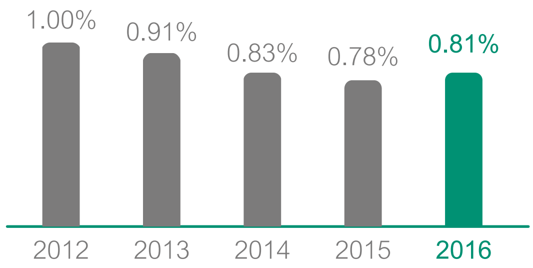
Return on equity



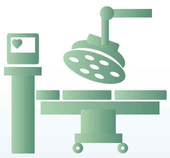
Debt ratio



NPA ratio



EPS (Basic and Diluted)



0.51 RMB

Net Interest Spread

3.31 %

	For the year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Operating Results					
Income	**2,700,916**	2,193,398	1,552,682	981,458	593,326
Finance lease income*	**1,941,183**	1,462,018	1,032,757	579,053	319,580
Industry, equipment and financing advisory income*	**601,303**	585,555	441,973	348,895	236,505
Clinical department upgrade services income*	**156,500**	143,452	77,514	53,498	37,237
Cost of sales	**(965,970)**	(884,851)	(619,594)	(348,619)	(204,781)
Interest expense	**(940,155)**	(864,165)	(596,954)	(325,449)	(192,364)
Cost of clinical department upgrade services	**(25,815)**	(20,581)	(22,537)	(23,170)	(12,417)
Profit before tax	**1,205,945**	900,274	611,082	418,344	239,148
Profit for the year	**872,310**	658,526	456,638	312,738	177,652
Basic and diluted earnings per share (RMB)	**0.51**	0.44	0.51	0.51	0.38
Profitability Indicators					
Return on total assets(1)	**3.32%**	3.29%	3.40%	3.83%	3.77%
Return on equity(2)	**14.01%**	15.85%	25.40%	30.89%	30.15%
Net interest margin(3)	**4.36%**	3.42%	3.73%	3.78%	3.68%
Net interest spread(4)	**3.31%**	2.56%	2.93%	2.80%	2.64%
Net profit margin(5)	**32.30%**	30.02%	29.41%	31.86%	29.94%
Cost to income ratio(6)	**25.27%**	29.91%	24.76%	28.91%	32.28%

* After taxes and surcharges

(1) Return on total assets = profit for the year/average balance of assets at the beginning and end of the year;

(2) Return on equity = profit for the year/average balance of equity at the beginning and end of the year;

(3) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets;

(4) Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities. Average balance of interest-earning assets is calculated based on the average balance of net lease receivables before provision as at each month end within the reporting year; average balance of interest-bearing liabilities is calculated based on the average balance of bank and other borrowings and lease deposits as at each month end within the reporting year;

(5) Net profit margin = profit for the year/income;

(6) Cost to income ratio = (selling and distribution cost + administrative expenses – provision for loans and accounts receivable)/gross profit.

	31 December 2016 RMB'000	31 December 2015 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Assets and Liabilities					
Total assets	**28,964,583**	23,657,881	16,385,316	10,452,434	5,883,444
Net lease receivables	**27,160,141**	21,600,652	15,850,139	9,698,361	5,291,212
Total liabilities	**22,390,192**	17,776,681	13,957,817	9,283,691	5,027,441
Interest-bearing bank and other borrowings	**19,485,459**	15,458,354	11,408,252	7,905,816	3,788,699
Total equity	**6,574,391**	5,881,200	2,427,499	1,168,743	856,003
Net assets per share (RMB)	**3.83**	3.43	1.91	1.91	1.40
Financial Indicators					
Debt ratio(1)	**77.30%**	75.14%	85.18%	88.82%	85.45%
Gearing ratio(2)	**2.96**	2.63	4.70	6.76	4.43
Current ratio(3)	**1.25**	0.98	0.88	0.79	0.68
Asset Quality					
Non-performing assets ratio(4)	**0.81%**	0.78%	0.83%	0.91%	1.00%
Provision coverage ratio(5)	**183.85%**	171.47%	166.10%	151.01%	104.88%
Write-off of non-performing assets ratio(6)	**0.0%**	0.0%	0.0%	0.0%	0.0%
Overdue ratio (over 30 days)(7)	**0.51%**	0.46%	0.96%	0.92%	2.27%

(1) Debt ratio = total liabilities/total assets;

(2) Gearing ratio = interest-bearing bank and other borrowings/total equity;

(3) Current ratio = current assets/current liabilities;

(4) Non-performing assets ratio = balance of non-performing assets/net lease receivables;

(5) Provision coverage ratio = provision for impairment of assets/balance of non-performing assets;

(6) Write-off of non-performing assets ratio = assets written-off/non-performing assets at the end of the previous years;

(7) Overdue ratio (over 30 days) is calculated based on net lease receivables which are more than 30 days overdue divided by net lease receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW AND PROSPECTS

The year 2016 has witnessed the Group's outstanding execution with consistent goals

In 2016, the operating results of the Group maintained steady growth with income increased by 23.1% to RMB2,700.9 million, profit before tax increased by 34.0% to RMB1,205.9 million as compared to last year and the number of customers increased to over 1,400. The sound operating results benefit from our outstanding execution with consistent goals.

The outstanding execution of the Group embodies our consistent strategic development goals and actual operational skills in accomplishing those pre-determined targets. We have been carrying out integrated development strategies: while maintaining a rapid growth in our healthcare financial business, we continued enhancing our healthcare technology service capabilities. Our hospital investment and management business has been progressing smoothly and the new model combining industry and finance and integrating finance, consultancy, management and technology services has come into form, which has laid the foundation for the sustainable and rapid growth of the Group.

Strong execution stems from our sound internal system, methodical working organization, excellent corporate culture and expanding talent team. We fully understand that a business with strong execution shall definitely be equipped with high-calibre staff, and a business with high-calibre staff shall definitely have a promising future. As at 28 February 2017, the Group had 585 employees,

of which about 60% are with post-graduate degrees or above, and about 50% with medical background. At our operation center level, we proactively promote the nurturing and recruitment of professionals in the areas of medicine supply chain management, hospital planning and construction, and hospital operation and management. At subsidiaries level, we plan and deploy professional team in advance according to the business need of the subsidiaries. The Group has been supported by a team of nearly one hundred staff in the areas of medicine supply chain management, hospital planning and construction, and hospital operation and management. We recognize the importance of talents for corporate development from the initial stage of financial talents recruitment to the proactive recruitment of medical talents. With a strong team in place to promote the simultaneous and orderly execution of various projects, we are fully geared up for the synergistic development of our various segments.

1.1 Hospital Investment and Management Business – stronger together to promote benchmark projects

In the process of developing hospital investment and management business, the Group introduces the capital of central SOE to local public hospitals, equipping them with international advanced equipment and planning and designing new hospitals in compliance with international standard. We focused on nurturing high level talents by bringing in advanced management philosophy and methods, medical technologies and services. Also, we cooperated with partnered hospitals to optimize the operation and management system as well as compensation incentive system, thereby fully mobilizing medical staff and realizing their medical values and personal values.

On 30 August 2016, the Group and First Affiliated Hospital signed the cooperation agreement in connection with the joint establishment of the International Land Port Hospital. First Affiliated Hospital is a large-scale national comprehensive Grade III Class A hospital administered directly by the NHFPC, with leading medical technology and service quality in Northwest China. The International Land Port Hospital is the branch of the First Affiliated Hospital with 1,000 registered beds under planning. The total funding required for the project is no more than RMB2 billion. Universal Medical is granted two cooperation rights in return:

1. The construction and operation right of the International Land Port Hospital. Xi'an Ronghui is wholly-owned by Universal Medical with a registered capital of RMB400 million to exercise the construction and operation right. Xi'an Ronghui is entitled to construct the International Land Port Hospital, participate in its future operation management and charge the construction and management fee. The construction and operation right bears a term of 25 years. The Group intends to fund the project by internal resources of the Group, proceeds from initial public offering and fund raising activities and/or bank facilities available to or to be obtained by the Group.

2. The business cooperation right with the International Land Port Hospital and First Affiliated Hospital. Universal Medical, through Xi'an Ronghui, jointly established the Xi'an Wanheng with First Affiliated Hospital. Xi'an Wanheng is solely responsible for managing the sunshine purchase of medicines, consumables and equipment for First Affiliated Hospital and the International Land Port Hospital. In addition, Xi'an Wanheng will further expand its business to provide services for the operation management of other partnered hospitals in Northwest China in the future. The business cooperation right bears an infinite term.

It only took 8 months from a framework agreement to a formal agreement, after which two companies (Xi'an Ronghui and Xi'an Wanheng) were set up and a supply chain company recognized by Good Supply Practice (GSP,《藥品經營質量管理規範》) was acquired. It is an excellent teamwork between the two parties with complementary advantages that finally make it happen. Significant events during the Group's cooperation with First Affiliated Hospital are set out below:

10 January 2016	the Company entered into the Framework Agreement in connection with the Joint Establishment of the International Land Port Hospital under First Affiliated Hospital of Xi'an Jiaotong University (《合作建設西安交通大學第一附屬醫院國際陸港醫院框架協議》) with the First Affiliated Hospital in Xi'an International Trade and Logistics Park.
30 August 2016	both parties signed the formal agreement in connection with the joint establishment of the International Land Port Hospital under First Affiliated Hospital of Xi'an Jiaotong University at the First Affiliated Hospital.
24 October 2016	the Group issued the circular for extraordinary general meeting in which the major terms of the cooperation agreement as well as further details about the cooperation model were further disclosed.
8 November 2016	the Group held the extraordinary general meeting in Hong Kong, at which the resolution on approving the cooperation agreement entered into between the Company and First Affiliated Hospital on 30 August 2016 and the transactions thereunder was passed.
10 January 2017	the Group and First Affiliated Hospital formed the OPCO under the cooperation agreement and signed the shareholders agreement and the articles of association of the OPCO.
6 February 2017	the OPCO jointly established by the Group and First Affiliated Hospital entered into an agreement to acquire Shaanxi Huahong Medical Company Limited.

The successful bidding of benchmark projects like First Affiliated Hospital as well as their orderly application to other projects, is not only attributable to our abundant resources and medical experience, but also attributable to the joint efforts of all staff, which will surely start a new chapter of the Group's business development.

1.2 Healthcare financial business – ride on the up trend for a steady growth

In 2016, the healthcare financial business of the Group continued to grow rapidly. The yield on interest-earning assets increased slightly while the cost rate of interest-bearing liabilities decreased substantially, increasing the net interest spread from 2.56% in 2015 to 3.31% in 2016 by 0.75 percentage point. Meanwhile, the Group's assets quality remained healthy during the year.

- **The yield on interest-earning assets increased slightly.** In view of the downward trend of the domestic overall deposit and lending rates, the average yield of the Group's assets increased as compared to 2015, benefiting from customer loyalty and competitive advantages of differentiated services brought by our integrated healthcare service solutions and the full implementation of the change from business tax to VAT since 1 May 2016. In 2016, the average yield of the Group's interest-earning assets amounted to 8.40%, representing an increase of 0.16 percentage point from 8.24% in 2015.

- **The cost rate of interest-bearing liabilities substantially decreased**. Due to the decrease of domestic financing cost as a result of interest rate cuts by the central bank and the continued reduction in the proportion of the Group's overseas financing activities with relatively higher cost, the average cost rate of interest-bearing liabilities of the Group decreased significantly as compared to 2015 after offsetting the influencing factors of the increase in financing cost as a result of the replacement of business tax with value-added tax at the same time. In 2016, the average cost rate of interest-bearing liabilities of the Group amounted to 5.09%, representing a decrease of 0.59 percentage point from 5.68% in 2015.

- **Continued improvement in financing capabilities and financing structure.** In the complicated domestic and overseas financial climate, the Group actively adjusted financing strategies and optimized its debt structure, making more reasonable arrangements in terms of currencies and regions. In order to reduce financing cost, the Group continuously decreased the proportion of overseas financing. At the end of 2016, the proportion of the balance of overseas financing to the total interest-bearing liabilities amounted to 14.0%, representing a decrease of 15.6 percentage points from 29.6% at the end of last year. In 2016 when the interest rates of domestic bond market had obvious attractions, the Group devoted more efforts to direct financing. At the end of 2016, the direct financing accounted for 36.6% of the total interest-bearing liabilities, representing an increase of 8.8 percentage points from 27.8% at the end of 2015. In order to control exchange rate risk, the Group continued to reduce the proportion of USD borrowings. The borrowings denominated in USD accounted for 5.3% of the total interest-bearing liabilities, representing a decrease of 2.4 percentage points from the end of last year.

- **The assets maintained steady growth with good quality.** As of 31 December 2016, the total assets of the Group amounted to RMB28,964.6 million, representing an increase of 22.4% as compared to the end of 2015. The proportion of healthcare assets in finance lease receivables was 71.6%, showing the Group's assets concentration in healthcare industry. Non-performing assets ratio was 0.81% and the overdue ratio (30 days) was 0.51%, representing a leading position in the industry. We maintained a prudent provision policy and the Group's asset provision coverage ratio reached 183.85% as of 31 December 2016.

1.3 Expansion of Clinical Department Upgrade Services – leverage on resources advantages with an open mind

With the continuous enrichment of medical resources, clinical department upgrade service models of the Group have become more flexible and diverse. In 2016, the gross profit of the Group's clinical department upgrade services reached RMB131 million, representing an increase of 6.4% as compared to 2015, with numbers of clinical department upgrade customers increased from 105 at the end of 2015 to 157.

In terms of the CVA clinical department upgrade, the Group continued innovating the service model. We established the "Chinese CVA Prevention and Treatment Training Platform" together with China Stroke Center Management Steering Group under the Stroke Prevention Project Committee of NHFPC. In future, we will focus on conducting the systematic training for primary hospitals of clinical diagnosis and treatment technologies, including but not limited to, neurology diagnosis and treatment, neurosurgical diagnosis and treatment, interventional technology, cardiology and endocrinology diagnosis and treatment, diagnostic examination technology, green channels establishment and improvements, care-rehabilitation-follow-up and other disease management of the CVA prevention and treatment. At the same time, we will focus on improving hospital management standard and optimizing multidisciplinary collaboration model, so that the hospitals' technology and management can reach the respective national stroke center construction standards. In the new model, we will select and formulate customized plans for hospitals according to their actual situations and development demands. We are committed to making hospitals the new force in CVA screening, prevention and treatment and enhancing their comprehensive strengths in prevention and treatment of chronic diseases.

1.4 Future Prospects

With excellent execution, the Group will closely follow the target of becoming a leading integrated healthcare services provider and continue implementing the development strategy which integrates healthcare finance, hospital investment and management, healthcare technology services and healthcare digitalization. The Group will implement the International Land Port Hospital project as scheduled, proceed with other hospital investment management projects in an orderly manner, continue to expand the market of medical finance lease and improve its medical technology services, facilitating a coordinate development of all business sectors.

Our general development strategy is, we will firmly develop our healthcare financing business, making it a solid profit generator for the Group's steady growth and cornerstone for new business; we will vigorously advance our hospital investment and management business, making it a catalyst for the Group's rapid growth; we will continuously enrich our healthcare resources, enhancing our healthcare services capabilities; we will simultaneously explore healthcare digitalization business, promoting synergy among sectors and resources sharing and accumulating healthcare big data. In the years to come, we will firmly grasp the opportunity from healthcare business matrix, establish a complete business chain to further promote the rapid growth of the Group.

2. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

2.1 Overview

In 2016, facing the difficulties and challenges from the external economy, the Group seized the development opportunities of healthcare industry. With the strategic goal as an integrated healthcare services provider, we have enhanced our execution capability, actively built a new business model with a combination of industry and finance and continuously strengthened risk prevention and control, achieving rapid growth in operating results. In 2016, the Group recorded a revenue of RMB2,700.9 million, representing an increase of RMB507.5 million or 23.1% as compared to the previous year. Profit before tax was RMB1,205.9 million, representing an increase of RMB305.7 million or 34.0% as compared to the previous year.

The following table sets forth the Group's statement of profit or loss for the indicated years:

	For the year ended 31 December		
	2016 **RMB'000**	2015 RMB'000	Change
Revenue	**2,700,916**	2,193,398	23.1%
Cost of sales	**(965,970)**	(884,851)	9.2%
Gross profit	**1,734,946**	1,308,547	32.6%
Other income and gains	**28,616**	58,751	-51.3%
Selling and distribution costs	**(277,251)**	(213,926)	29.6%
Administrative expenses	**(277,232)**	(246,496)	12.5%
Other expenses	**(3,134)**	(6,602)	-52.5%
Profit before tax	**1,205,945**	900,274	34.0%
Income tax expense	**(333,635)**	(241,748)	38.0%
Profit for the year	**872,310**	658,526	32.5%
Basic and diluted earnings per share (RMB)	**0.51**	0.44	15.9%

2.2 Analysis of Revenue

With the focus on healthcare sector, the Group is committed to its development goal as an integrated healthcare services provider. We strived to strengthen our healthcare resources platform and develop our hospital customer base. At the same time, we continuously strengthened business innovation. In 2016, the Group achieved a stable growth of business revenue.

The Group's gross profit by business segment

	For the year ended 31 December				
	2016		2015		
	Gross profit RMB'000	**% of total**	Gross profit RMB'000	% of total	Change
Finance lease	**1,001,028**	**57.7%**	597,853	45.7%	67.4%
Industry, equipment and financing advisory	**601,303**	**34.7%**	585,555	44.7%	2.7%
Clinical department upgrade services	**130,685**	**7.5%**	122,871	9.4%	6.4%
Other business	**1,930**	**0.1%**	2,268	0.2%	-14.9%
Total	**1,734,946**	**100.0%**	1,308,547	100.0%	32.6%

In 2016, the Group's gross profit was RMB1,734.9 million, increased by RMB426.4 million or 32.6% as compared to last year. In particular, interest margin gross profit of finance lease business was RMB1,001.0 million, representing an increase of RMB403.2 million or 67.4% as compared to last year; gross profit of industry, equipment and financing advisory services was RMB601.3 million, representing an increase of RMB15.7 million or 2.7% as compared to last year; gross profit of clinical department upgrade services was RMB130.7 million, representing an increase of RMB7.8 million or 6.4% as compared to last year.

2.2.1 Finance lease business

In 2016, the Group continued developing the finance lease business in a stable manner. It captured the development opportunities of healthcare industry, rationalized regional distribution of business while strengthening regional staffing and improving their business development capability, striving to maintain its leading position in healthcare finance lease market.

The Group's finance lease income by industry:

	For the year ended 31 December				
	2016		2015		Change
Industry	**RMB'000**	**% of total**	RMB'000	% of total	
Healthcare	**1,493,743**	**77.0%**	1,011,476	69.2%	47.7%
Education	**385,863**	**19.9%**	394,415	27.0%	-2.2%
Other	**61,577**	**3.1%**	56,127	3.8%	9.7%
Total	**1,941,183**	**100.0%**	1,462,018	100.0%	32.8%

The Group's finance lease income is mainly comprised of interest income. In 2016, the Group recorded interest income of RMB1,941.2 million, representing an increase of RMB479.2 million or 32.8% as compared to last year. The Group focuses on healthcare sector, and the finance lease income from healthcare industry was RMB1,493.7 million, the percentage of which as to total income of the Group further increased to 77.0% from 69.2% in 2015.

Average yield and cost rate of finance lease business:

	For the year ended 31 December					
	2016			2015		
	Average balance RMB'000	**Interest income(1)/ expense(2) RMB'000**	**Average yield(3)/ cost rate(4)**	Average balance RMB'000	Interest income(1)/ expense(2) RMB'000	Average yield(3)/ cost rate(4)
Interest-earning assets	**23,237,939**	**1,952,243**	**8.40%**	17,902,971	1,475,796	8.24%
Interest-bearing liabilities	**18,451,059**	**940,155**	**5.09%**	15,220,242	864,165	5.68%
Net interest margin(5)			**4.36%**			3.42%
Net interest spread(6)			**3.31%**			2.56%

(1) Interest income represents the interest income before tax and surcharges from finance lease business;

(2) Interest expense represents financing cost of capital for finance lease business;

(3) Average yield = Interest income/average balance of interest-earning assets;

(4) Average cost rate = Interest expense/average balance of interest-bearing liabilities;

(5) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets;

(6) Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities.

The net interest margin and net interest spread of the Group in 2016 increased significantly as compared to that of previous year, mainly due to the increase of average yield of interest-earning assets and the decrease of average cost rate of interest-bearing liabilities. The net interest margin of finance lease was 4.36%, representing an increase of 0.94 percentage point as compared to 3.42% over the last year; the net interest spread was 3.31%, representing an increase of 0.75 percentage point as compared to 2.56% in last year.

Average yield of interest-earning assets: In 2016, the average yield of the Group's interest-earning assets was 8.40%, representing an increase of 0.16 percentage point as compared to 8.24% over the last year. Despite the downward trend of the domestic deposit and lending rates, benefiting from customer loyalty and the competitive advantages of differentiation brought by our integrated healthcare service solutions and the positive effect from the replacement of business tax with value-added tax since 1 May 2016, the average yield of interest-earning assets of the Group increased slightly in 2016 as compared to last year.

Average cost rate of interest-bearing liabilities: In 2016, the average cost rate of interest-bearing liabilities was 5.09%, representing a decrease of 0.59 percentage point as compared to 5.68% over the same period of last year. The interest-bearing liabilities of the Group entered a repricing cycle in 2016 after the several rate cuts by the People's Bank of China in 2015. With the rapid development of domestic bond market in 2016, the Group issued bonds of an aggregate principal amount of RMB3.9 billion. The proportion of direct financing increased, and the average cost rate of domestic financing of the Group decreased. Meanwhile, cost of interest rate and exchange rate of overseas financing increased significantly under the impact of U.S. interest rate hike and depreciation of Renminbi, so the Group continued reducing the proportion of overseas financing from 29.6% in 2015 to 14.0% in 2016. The average cost rate of interest-bearing liabilities of the Group decreased significantly as compared to last year after offsetting the increase of financing cost as a result of the replacement of business tax with value-added tax since 1 May 2016.

2.2.2 Industry, equipment and financing advisory services

Industry, equipment and financing advisory is part of the Group's integrated healthcare services. In 2016, the gross profit from industry, equipment and financing advisory services was RMB601.3 million, representing an increase of RMB15.7 million or 2.7% as compared to 2015. In 2016, based on finance lease business, the Group continuously expanded its healthcare resources platform and strengthened its internal collaboration and staff training so as to provide its customers comprehensive services that comprised funding support, equipment replacement, technology and management advisory. With valuable, flexible and diversified advisory services, we assisted our customers in improving their service quality.

2.2.3 Clinical department upgrade services

The Group's clinical department upgrade services mainly include the provision of technical advisory, professional training, workflow construction, and equipment and financial planning services, in order to enhance the technical services ability and management efficiency of partnered hospitals with operating lease and sales of equipment. In 2016, the gross profit of clinical department upgrade services was RMB130.7 million, representing an increase of RMB7.8 million or 6.4% as compared to 2015.

Breakdown of the Group's clinical department upgrade services:

	For the year ended 31 December					
	2016			2015		
	Income RMB'000	**Gross profit RMB'000**	**% of total gross profit**	Income RMB'000	Gross profit RMB'000	% of total gross profit
Clinical department upgrade advisory services	**122,754**	**122,754**	**93.9%**	113,420	113,420	92.3%
Operating lease	**20,717**	**1,813**	**1.4%**	17,776	3,480	2.8%
Sales of medical equipment	**13,029**	**6,118**	**4.7%**	12,256	5,971	4.9%
Total	**156,500**	**130,685**	**100.0%**	143,452	122,871	100.0%

The core business of the Group's clinical department upgrade services is clinical department upgrade advisory services. During 2016, following the principle of CVA prevention, screening and treatment, the Group further optimized the clinical department upgrade business model with integration of specialists, technology, training, capital and equipment and cooperated with more famous institutions and specialists from various fields of study, expanding the business model of CVA to other medical areas such as oncology, obstetrics and gynecology and cardiology by providing customers with equipment, workflow construction guidance, staff training, surgery instruction and professional skills exchanges. Meanwhile, we further innovated the clinical department upgrade service model, selecting and formulating customized solutions based on the actual situation and development requirements of hospitals. We focused on advisory services, making hospitals a fresh driving force to promote CVA screening and prevention and fully enhancing their comprehensive strengths in chronic disease prevention and treatment. As at 31 December 2016, the number of clinical department upgrade customers increased to 157 customers in 25 provinces from 105 customers in 22 provinces at the end of 2015. In 2016, the gross profit of clinical department upgrade advisory services was RMB122.8 million, representing an increase of RMB9.3 million or 8.2% as compared to last year, and accounted for 93.9% of the total gross profit of clinical department upgrade services, and the percentage in total gross profit increased by 1.6 percentage points as compared to last year.

2.3 Operating cost

In 2016, the Group's selling and distribution cost and administrative expenses were RMB277.3 million and RMB277.2 million, respectively, representing an increase of RMB63.3 million and RMB30.7 million or 29.6% and 12.5%, respectively, as compared to last year. This is mainly because: (1) to satisfy the need from the corporate strategies, the Group proactively recruited high-calibre professionals in the field of hospital investment & management and medical technology services, further optimizing the talent structure in 2016. Meanwhile, the Group has set up a long-term incentive system. As such, the salary and benefits increased by RMB57.2 million as compared to last year as a result of corresponding increase in the relevant salary and benefits expenses; and (2) in 2016, the Group maintained a prudent provision policy and its provision of impairment on loans and accounts receivable reached RMB116.1 million, representing an increase of RMB47.0 million as compared to last year.

In 2016, the cost to income ratio of the Group was 25.27%, representing a decrease of 4.64 percentage points from last year due to the Group's operating efficiency.

2.4 Income tax expenses

In 2016, the Group's income tax expenses increased by RMB91.9 million from last year, which was mainly due to the increase of profit before tax.

3. FINANCIAL POSITION ANALYSIS

3.1 Overview of assets

As at 31 December 2016, the Group's total assets was RMB28,964.6 million, representing an increase of RMB5,306.7 million or 22.4% as compared to the end of last year. In particular, our loans and accounts receivable was RMB26,760.5 million, representing an increase of RMB5,443.6 million or 25.5% as compared to the end of last year; our cash and cash equivalents was RMB1,272.5 million, representing an decrease of RMB593.2 million or 31.8% as compared to the end of last year. With respect to assets structure, our loan and accounts receivable accounted for 92.4% of the total assets; and the cash and cash equivalents accounted for 4.4% of the total assets.

The following table sets forth the assets analysis of the Group for the dates indicated:

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change
Restricted deposits	**660,406**	**2.3%**	153,705	0.6%	329.7%
Cash and cash equivalents	**1,272,458**	**4.4%**	1,865,670	7.9%	-31.8%
Inventories	**2,054**	**0.0%**	2,643	0.0%	-22.3%
Loans and accounts receivable	**26,760,535**	**92.4%**	21,316,958	90.1%	25.5%
Prepayments, deposits and other receivables	**40,883**	**0.1%**	142,598	0.6%	-71.3%
Property, plant and equipment	**98,563**	**0.4%**	89,586	0.4%	10.0%
Available-for-sale investments	**64,916**	**0.2%**	64,916	0.3%	0.0%
Deferred tax assets	**53,544**	**0.2%**	21,777	0.1%	145.9%
Derivative financial instruments	**7,828**	**0.0%**	28	0.0%	27,857.1%
Other assets	**3,396**	**0.0%**	–	0.0%	0.0%
Total	**28,964,583**	**100.0%**	23,657,881	100.0%	22.4%

3.1.1 Restricted deposits and cash and cash equivalents

As at 31 December 2016, the Group had restricted deposits of RMB660.4 million, which mainly comprised pledged project refunds resulting from business such as factoring, time deposits and off-balance sheet activities.

As at 31 December 2016, the Group had cash and cash equivalents of RMB1,272.5 million, which was the remaining balance of the proceeds from initial public offering and will be utilized gradually in accordance with the proposed use of proceeds.

3.1.2 Loans and accounts receivable

As at 31 December 2016, the Group's loans and accounts receivable was RMB26,760.5 million, among which the net lease receivables was RMB26,755.6 million, accounted for 99.98% of the loans and accounts receivable.

Lease receivables

In 2016, given the continuing downward trend in China's macro-economic environment, the Group strengthened the risk management and control in a prudent manner by increasing the investment in finance lease business in healthcare industry while ensuring the asset security and laying emphasis on adjustment to finance lease assets structure and risk prevention and control side by side. The scale of finance lease assets continuously increased while the industry distribution of total assets remained stable.

Net lease receivables by industry

The following table sets forth the net lease receivables by industry:

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change
Healthcare	**19,449,931**	**71.6%**	16,692,512	77.3%	16.5%
Education	**6,455,597**	**23.8%**	4,076,706	18.9%	58.4%
Others	**1,254,613**	**4.6%**	831,434	3.8%	50.9%
Net lease receivables	**27,160,141**	**100.0%**	21,600,652	100.0%	25.7%
Less: Allowance for asset impairment	**(404,588)**		(288,520)		40.2%
Net value of lease receivables	**26,755,553**		21,312,132		25.5%

As at 31 December 2016, the Group's net lease receivables amounted to RMB26,755.6 million, representing an increase of RMB5,443.4 million or 25.5% as compared to the end of last year. The Group adhered to the strategic planning with focus on healthcare industry, expanding education industry market in a prudent manner while further exploring the healthcare market. As to asset security, the Group continuously and steadily developed financial business in order to facilitate a stable growth of the finance lease net assets.

The maturity profile of the net lease receivables

The following table sets forth the maturity profile of the net lease receivables:

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change
Within 1 year	**7,158,746**	**26.4%**	6,036,410	27.9%	18.6%
1-2 years	**6,561,621**	**24.2%**	5,301,893	24.5%	23.8%
2-3 years	**5,956,812**	**21.8%**	4,395,572	20.3%	35.5%
3 years and beyond	**7,482,962**	**27.6%**	5,866,777	27.3%	27.5%
Net lease receivables	**27,160,141**	**100.0%**	21,600,652	100.0%	25.7%

The Group formulated reasonable business investment strategies according to the strategic plan so as to ensure the sustained and steady cash inflow. At the end of 2016, the distribution of maturity of the Group's net lease receivables was relatively balanced.

Quality of lease receivables

The following table sets forth the classification of five categories of the net lease receivables:

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change
Pass	**22,815,652**	**84.00%**	18,242,578	84.45%	25.1%
Special mention	**4,124,424**	**15.19%**	3,189,810	14.77%	29.3%
Substandard	**169,633**	**0.62%**	123,592	0.57%	37.3%
Doubtful	**50,432**	**0.19%**	44,672	0.21%	12.9%
Loss	**–**	**0.00%**	–	0.00%	0.0%
Net lease receivables	**27,160,141**	**100.0%**	21,600,652	100.0%	25.7%
Non-performing assets(1)	**220,065**		168,264		30.8%
Non-performing assets ratio(2)	**0.81%**		0.78%		

(1) Non-performing assets are defined as those lease receivables having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of lease receivables that can be reliably estimated. These lease receivables are classified as "substandard", "doubtful" or "loss".

(2) The non-performing assets ratio is the percentage of non-performing assets over net lease receivables as at the applicable date.

Note: Please refer to "-7. Risk Management" in this report for the more details of five-category classification.

The Group has been implementing stable asset management policies and continuously adopting stringent and prudent asset classification policies. As at 31 December 2016, the Group had non-performing assets of RMB220.1 million, representing an increase of RMB51.8 million as compared to 31 December 2015, which was mainly due to the increase in total lease receivables resulting from the expansion of the finance lease business of the Group. Meanwhile, the Group continuously improved its risk management system, adopted effective risk prevention measures and increased the effort in the collection of non-performing assets. As at 31 December 2016, the Group's non-performing asset ratio was 0.81%.

Ratio of overdue lease receivables

The following table sets forth the lease receivables over 30 days overdue:

	31 December 2016	31 December 2015
Overdue ratio (over 30 days)[1]	**0.51%**	0.46%

(1) Calculated based on net lease receivables which are more than 30 days overdue divided by total net lease receivables.

In 2016, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. As at 31 December 2016, the overdue ratio (over 30 days) was 0.51%, increased by 0.05 percentage point as compared to 0.46% at the end of last year, remaining at a low level.

Provision for impairment of lease receivables

The following table sets forth the distribution of provisions by the Group's assessment methodology:

	31 December 2016		31 December 2015	
	RMB'000	**% of total**	RMB'000	% of total
Allowance for asset impairment:				
Individually assessed	**88,557**	**21.9%**	64,383	22.3%
Collectively assessed	**316,031**	**78.1%**	224,137	77.7%
Total	**404,588**	**100.0%**	288,520	100.0%
Non-performing assets	**220,065**		168,264	
Provision coverage ratio	**183.85%**		171.47%	

As at 31 December 2016, the Group's provision coverage ratio was 183.85%, representing an increase of 12.38 percentage points from 31 December 2015. With the expansion of its business, the Group's management believes that it is imperative to take more prudent measures to protect the Group against systematic risks and move towards the international standards and practices. As such, the Group continuously increased its asset provision coverage ratio. During the reporting period, the Group did not write off any finance lease assets and it did not have any finance lease assets classified as loss.

3.2 Overview of liabilities

As at 31 December 2016, the Group's total liabilities was RMB22,390.2 million, representing an increase of RMB4,613.5 million or 26.0% as compared to 31 December 2015.

The following table sets forth the Group's liabilities as at the dates indicated:

	31 December 2016		31 December 2015		
	RMB'000	% of total	RMB'000	% of total	Change
Interest-bearing bank and other borrowings	**19,485,459**	**87.0%**	15,458,354	87.0%	26.1%
Trade and bills payable	**194,333**	**0.9%**	94,773	0.5%	105.1%
Other payables and accruals	**2,576,182**	**11.5%**	2,093,421	11.7%	23.1%
Taxes payable	**69,302**	**0.3%**	65,217	0.4%	6.3%
Other liabilities	**64,916**	**0.3%**	64,916	0.4%	0.0%
Total	**22,390,192**	**100.0%**	17,776,681	100.0%	26.0%

3.2.1 Interest-bearing bank and other borrowings

In 2016, under the complicated domestic and overseas financial environments, the Group actively adjusted financing strategies and optimized its debt structure, resulting in continuous improvement of financing structures, further enhancement of financing capabilities and more reasonable arrangements of financing currencies and regions.

The Group's interest-bearing bank and other borrowings is mainly used to provide capital for its finance lease business. As at 31 December 2016, the Group's interest-bearing bank and other borrowings was RMB19,485.5 million, representing an increase of RMB4,027.1 million or 26.1% as compared to 31 December 2015. The borrowings of the Group are mainly at floating interest rates.

Breakdown of interest-bearing bank and other borrowings by type

	31 December 2016		31 December 2015		
	RMB'000	% of total	RMB'000	% of total	Change
Bank loans	**9,047,346**	**46.4%**	9,542,573	61.7%	-5.2%
Due to related parties	**1,500,000**	**7.7%**	500,000	3.2%	200.0%
Bonds	**7,135,184**	**36.6%**	4,297,487	27.8%	66.0%
Other loans	**1,802,929**	**9.3%**	1,118,294	7.3%	61.2%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, the balance of the Group's bank loans amounted to RMB9,047.3 million, accounting for 46.4% of its total interest-bearing bank and other borrowings, representing a decrease of 15.3 percentage points as compared to 61.7% as at 31 December 2015. The balance of Group's bonds amounted to RMB7,135.2 million, accounting for 36.6% of its total interest-bearing bank and other borrowings, representing a increase of 8.8 percentage points as compared to 27.8% as at 31 December 2015.

In 2016 when the interest rates of domestic bond market had obvious attractions, the Group enhanced bond financing.

Breakdown of interest-bearing and other borrowings by currency

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change
RMB	**18,455,632**	**94.7%**	14,269,715	92.3%	29.3%
USD	**1,029,827**	**5.3%**	1,188,639	7.7%	-13.4%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, the Group's interest-bearing bank and other borrowings denominated in RMB was RMB18,455.6 million, which accounted for 94.7% of its total interest-bearing bank and other borrowings, representing an increase of 2.4 percentage points as compared to 92.3% as at 31 December 2015.

In 2016, the factors such as the slowdown of China's economic growth, the Brexit and the US presidential election resulted in depreciation of RMB against USD to certain extent. In order to control exchange rate risk, the Group continued to reduce the proportion of USD borrowings. For domestic and overseas borrowings denominated in USD, the Group minimized the risk from the significant fluctuation of the exchange rate between RMB and USD by implementing comprehensive measures which effectively controlled the exchange rate risk.

Breakdown of the interest-bearing and other borrowings by region

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change
Domestic	**16,762,603**	**86.0%**	10,888,129	70.4%	54.0%
Overseas	**2,722,856**	**14.0%**	4,570,225	29.6%	-40.4%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, the Group's domestic financing balance was RMB16,762.6 million, accounting for 86.0% of the total interest-bearing and other borrowings, representing an increase of 15.6 percentage points as compared to 70.4% as at 31 December 2015.

Since 2016, the domestic financing costs decreased significantly as compared to 2015 after the several rate cuts by the People's Bank of China and the implementation of the moderately loose monetary policy, while the overseas financing costs increased due to factors such as the rate hike of USD and the weakening RMB. As the overseas financing cost no longer had any advantage over the domestic cost, we shifted our focus to domestic financing to control and reduce the proportion of our overseas financing.

Breakdown of the current and non-current interest-bearing bank and other borrowings

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change
Current	**6,284,903**	**32.3%**	7,634,574	49.4%	-17.7%
Non-current	**13,200,556**	**67.7%**	7,823,780	50.6%	68.7%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, the balance of the Group's current interest-bearing bank and other borrowings amounted to RMB6,284.9 million, accounting for 32.3% of its total interest-bearing bank and other borrowings, representing a decrease of 17.1 percentage points as compared to 49.4% as at 31 December 2015. In order to prevent the liquidity risk and to secure the source of certain mid and long-term funds under the market environment with decreasing financing cost and sufficient liquidity, the Group proactively increased the proportion of non-current liabilities in 2016.

Breakdown of the secured and unsecured interest-bearing bank and other borrowings

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change
Secured	**4,639,457**	**23.8%**	6,009,325	38.9%	-22.8%
Unsecured	**14,846,002**	**76.2%**	9,449,029	61.1%	57.1%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, the Group's secured interest-bearing bank and other borrowings amounted to RMB4,639.5 million, accounting for 23.8% of the total interest-bearing bank and other borrowings of the Group. It represents a decrease of 15.1 percentage points as compared to 38.9% as at 31 December 2015. The Group's secured assets were mainly finance lease assets, and the decrease in its proportion indicated further improvement of the Group's own financing capabilities.

Breakdown of the direct financing and indirect financing in interest-bearing bank and other borrowings

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change
Direct financing	**7,135,184**	**36.6%**	4,297,487	27.8%	66.0%
Indirect financing	**12,350,275**	**63.4%**	11,160,867	72.2%	10.7%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, among the Group's interest-bearing bank and other borrowings, direct financing amounted to RMB7,135.2 million, accounting for 36.6% of total interest-bearing bank and other borrowings, representing an increase of 8.8 percentage points as compared to 27.8% as at 31 December 2015. In order to take full advantage of the good liquidity and cost advantages in the domestic debt capital market, the Group issued medium-term notes with a total principal amount of RMB850 million and short-term financing bonds with a total principal amount of RMB850 million in the domestic inter-bank bond market, and issued corporate bonds with a total principal amount of RMB2,200 million on Shanghai Stock Exchange in 2016. Meanwhile, the Group secured an issuance quota of RMB1,000 million of super short-term financing bonds and RMB1,500 million of PPN.

3.2.2 Other payables and accruals

Other payables and accruals primarily comprise the lease deposits paid by customers, the accrued interests on borrowings, as well as the accrued salary and welfare payables. As at 31 December 2016, other payables and accruals amounted to RMB2,576.2 million, representing an increase of RMB482.8 million or 23.1% as compared to the end of last year, which was mainly due to the increase in lease deposits paid by customers.

3.3 Shareholders' Equity

At 31 December 2016, the Group's total equity amounted to RMB6,574.4 million, representing an increase of RMB693.2 million or 11.8% as compared to the end of last year, which was mainly due to the increase in profit for the year.

As at 31 December 2016, the Group's distributable reserves, calculated under Part 6 of the Companies Ordinance, amounted to RMB2,006.7 million.

4. CASH FLOWS ANALYSIS

	For the year ended 31 December		
	2016 RMB'000	2015 RMB'000	Change
Net cash flows used in operating activities	**(2,381,645)**	(4,452,389)	-46.5%
Net cash flows used in investing activities	**(459,685)**	(71,970)	538.7%
Net cash flows from financing activities	**2,175,211**	5,799,584	-62.5%
Net increase in cash and cash equivalents	**(666,119)**	1,275,225	-152.2%

Corresponding to the Group's business expansion and an increase in the balance of interest-earning assets in 2016, net cash outflows from operating activities amounted to RMB2,381.6 million. Correspondingly, the Group increased its cash inflow from financing activities such as bank and other borrowings, resulting in net cash inflow from financing activities amounting to RMB2,175.2 million. Net cash outflows from investing activities amounted to RMB459.7 million, mainly attributed to the acquisition of office equipment, other long-term assets and other investment.

5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains healthy capital ratios in order to support the Group's business and maximizes its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital. In 2016, no changes were made to the Group's objectives, policies or processes for capital management.

Debt ratio

	31 December 2016 RMB'000	31 December 2015 RMB'000
Total assets	**28,964,583**	23,657,881
Total liabilities	**22,390,192**	17,776,681
Total equity	**6,574,391**	5,881,200
Debt ratio	**77.30%**	75.14%

Gearing ratio

	31 December 2016 RMB'000	31 December 2015 RMB'000
Interest-bearing bank and other borrowings	**19,485,459**	15,458,354
Total equity	**6,574,391**	5,881,200
Gearing ratio	**2.96**	2.63

As at 31 December 2016, the Group's debt ratio and gearing ratio have increased slightly as compared to the end of last year.

6. CAPITAL EXPENDITURE

The Group's capital expenditure primarily consists of expenditure on purchasing facilities relating to the Group's operating leasing business and office equipment. In 2016, the Group had capital expenditure of RMB20.2 million, which primarily consisted of related expenses for purchase of office equipment and other long-term assets.

Use of Proceeds from the Initial Public Offering

The Group's shares were listed on the Main Board of the Stock Exchange on 8 July 2015. On 30 July 2015, after deducting underwriting commissions and all related expenses, the net proceeds from the initial public offering amounted to approximately RMB2,775.5 million.

The Board closely monitored the use of proceeds from the initial public offering with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus. As of 31 December 2016, the Group used the net proceeds for the following purposes:

- RMB1,249.0 million was used for supporting the ongoing growth of our finance lease business;

- RMB19.1 million was used for research, development and operation of healthcare digitalization services. We made further recruitments to increase the size of our technology solutions team and developed a proprietary information management system for hospitals as well as related marketing activities;

- RMB51.6 million was used for the development of our hospital investment and management business. We concentrated on market development and expansion of external medical resources, recruited a hospital management experts team and provided professional training to internal personnel;

- RMB91.5 million was used for further development of CVA project solutions and department upgrade services in other new areas. We increased the number of our internal experts with relevant medical background and provided hospital customers with financial support for clinical department upgrade; and

- RMB277.6 million was used for funding general corporate purposes.

7. RISK MANAGEMENT

The Group's principal financial instruments comprise lease receivables, trade receivables, trade payables, interest-bearing bank and other borrowings, cash and cash equivalents. The main purpose of cash and cash equivalents and interest-bearing bank and other borrowings is to finance the Group's operations while other financial assets and financial liabilities such as trade receivables and trade payables are directly related to the Group's operating activities.

The Group is exposed to various types of market risks in the ordinary course of business, primarily including interest rate risk, currency risk, credit risk and liquidity risk.

7.1 Interest Rate Risk

Interest rate risk is the risk that a financial instrument or future cash flows will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and lease receivables.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such risk mitigation measure.

The following table sets forth a sensitivity analysis to a reasonably possible change in interest rate, with all other variables unchanged, to the Group's profit before tax. The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

	Increase/decrease in profit before tax	
	31 December 2016 RMB'000	31 December 2015 RMB'000
Change in base points		
+100 base points	**105,799**	92,855
- 100 base points	**(105,799)**	(92,855)

7.2 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, and also other currencies to a lesser extent. The Group's currency risk mainly arises from the transactions in foreign currencies. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HK$ exchange rate has been linked to the USD and therefore the exchange rate of RMB to HK$ has fluctuated and will fluctuate in line with the changes in the exchange rate of RMB to USD.

The following table sets forth a sensitivity analysis of exchange rate change of the Group's currency assets, liabilities and cashflow forecast on the Group's profit before tax

		Increase/(decrease) in profit before tax	
	Change in foreign exchange rate %	**31 December 2016 RMB'000**	31 December 2015 RMB'000
If RMB strengthens against USD/HK$	(1)	**(493)**	(984)
If RMB weakens against USD/HK$	1	**493**	984

The analysis demonstrates the effect of a reasonably possible movement in the currency rate against RMB, with all other variables unchanged, on profit before tax.

7.3 Credit Risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations. The Group enters into transactions only with the recognized and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts. Other financial assets of the Group include cash and bank deposits, accounts receivable and other receivables. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk equals to the carrying amounts of these assets.

In determining the classification of its lease receivables, the Group applies a set of criteria pursuant to its internal policies. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on lease receivables of the Group. Lease receivables classification criteria of the Group focus on a number of factors, to the extent applicable, and include the following ratings:

Classification criteria

Pass. There is no reason to doubt that the loan principal and interest will not be repaid by the lessee in full and/or in a timely manner. There is no reason whatsoever to suspect that the lease receivables will be impaired.

Special Mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are still factors that could adversely affect its ability to pay. These factors include changes in economy, policies and regulations and industry environment, changes in property structures, significant negative events and significant fall in key financial indicators occurred to debtors, sharp lag of infrastructure projects behind the original plan, or heavy over-run of budget, impact of changes in core asset value on repayment abilities of the debtors, as well as emerging of position relating to guarantors impacting their financial and operating conditions. In addition, the Group takes into account impacts of subjective factors on asset quality such as changes in repayment willingness of the debtors, for example, if payments have been overdue and the financial position of the lessee has worsened, then the lease receivables for this lease contract should be classified as special mention or lower.

Substandard. The lessee's ability to pay the principal and interests of the lease receivables is in question as it is unable to make its payments in full with its operating revenues and the Group is likely to incur losses notwithstanding the enforcement of any guarantees underlying the lease contract. For example, if a lease payment that has been categorized as special mention continues to be overdue for a period of time, then the lease receivables for this lease contract should be classified as substandard or lower.

Doubtful. The lessee's ability to pay is in question as it is unable to make lease payments in full and/or on a timely basis with its operating revenues. Notwithstanding the enforcement of any guarantees underlying the lease contract, we are likely to incur significant losses. For example, if a lease payment that has been categorized as substandard continues to be overdue for a period of time, the lease receivables for this lease contract shall be classified as doubtful or lower.

Loss. After taking all possible steps or going through all necessary legal procedures, lease payments remain overdue or only a very limited portion has been recovered. For example, if a lease payment that has been categorized as doubtful continues to be overdue for a period of time, the lease receivables for this lease contract shall be classified as a loss.

Asset management measures

Under the overall risk management framework, the Group fully participated in the asset management works, with multi-sectorial coordination and collaboration, to maintain the safety of assets and improve the asset quality. The Group took risk management measures to monitor the quality of its asset portfolio, the assets underlying its leases and the efficiency of its credit assessment workflow. These measures are integrated into continuing asset management efforts of the Group with the following key features:

Continue improving the management process after the lease and regularly monitor the asset portfolio

The Group continued improving the management process after the lease and strengthened the coordination of various departments to ensure the rent collection and the collateral security, as well as enhancing asset quality. During the period, the Group would constantly monitor the collection of rental payments from our customers. For projects with overdue lease receivables, we would adopt a variety of measures to collect the overdue receivables, and collect data to facilitate our classification of risky assets.

On-site customer visits

The Group formulated an annual on-site visit plan and inspected the business development and financial conditions of its customers on a continuing basis through such on-site visits, during which cross-selling opportunities could also be explored, with the aim of providing more value-added services. Through on-site visits, the customers would be urged to pay the rent on time more consciously and they would be more willing to communicate with the Group.

Material events handling and reporting procedures

The Group implemented a material events reporting system. If any material adverse event occurs to customers, the major department should take the lead and collaborate and coordinate with various departments to actively respond to the situation. Meanwhile, such event would need to be reported to the senior management and the Board.

Regular assessments on asset quality and reclassification

The Group adopted the migration model to classify its relevant lease receivables and assets of its finance lease projects. Under this categorization system, the Group's assets underlying lease receivables are divided into five categories, namely "pass", "special mention", "substandard", "doubtful" and "loss". The last three categories of assets are considered non-performing assets. The Group applied a series of criteria in determining the classification of each of its assets, which focus on a number of factors, including (1) the customer's ability to make lease payments; (2) the customer's payment history, (3) the customer's willingness to make lease payments; (4) the collateral provided for the lease; and (5) the possibility of legal enforcement in the event of delinquent lease payments. The Group closely monitored the asset quality by focusing on the aforementioned factors, and would decide whether to reclassify such assets and adopt appropriate measures to improve their management. The Group has also established concrete management measures for making relevant provisions for impairment to the extent such impairment is reasonably envisaged.

Credit Risk Analysis

Analysis on industry concentration of finance lease receivables

Credit risk is often greater when lessees are concentrated in one single industry or geographical location or have comparable economic characteristics. Customers of the Group are diversely located in different regions of mainland China, and its lessees are from different industries as follows:

	31 December 2016		31 December 2015	
	RMB'000	**% of total**	RMB'000	% of total
Healthcare	**19,449,931**	**71.6%**	16,692,512	77.3%
Education	**6,455,597**	**23.8%**	4,076,706	18.9%
Others	**1,254,613**	**4.6%**	831,434	3.8%
Total	**27,160,141**	**100.0%**	21,600,652	100.0%

The customers of the Group are mainly concentrated in the healthcare industry and the education industry. Since both the healthcare industry and the education industry relate closely to people's basic livelihood and are weakly correlated to the economic cycle, there is no significant credit risk concentration within the Group.

The quantitative data of exposure to credit risk arises from loans and accounts receivable, deposits and other receivables, and credit commitments. The analysis of financial assets which are neither past due nor impaired is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Net lease receivables	**26,936,292**	21,393,331
Accounts receivable	**2,205**	4,826
Notes receivable	**2,777**	–
Deposits and other receivables	**14,079**	96,709
Available-for-sale investment	**64,916**	64,916
Derivative financial assets	**7,828**	28

As at 31 December 2016 and 31 December 2015, the financial assets which are past due but are not considered impaired amounted to RMB3.8 million and RMB39.1 million, respectively. The days overdue are analyzed as below:

	Within 90 days	**90 days to 1 year**	**1 year to 3 years**	**Over 3 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
As at 31 December 2016					
Net lease receivables	**3,784**	**–**	**–**	**–**	**3,784**
As at 31 December 2015					
Net lease receivables	39,057	–	–	–	39,057

Lease receivables that were past due but not impaired related to a number of customers that have good track records with the Group. Based on past experience, the Directors are of the view that these balances are not considered impaired as there has not been a significant impact on credit rating and the balances are still considered fully recoverable. The past due but not impaired assets of RMB3.8 million as at 31 December 2016, were all recovered in January 2017.

The analysis of financial assets which are impaired is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Net lease receivables	**220,065**	168,264

Impaired lease receivables are defined as those having objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of the lease receivables that can be reliably estimated.

7.4 Liquidity Risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

The Group manages its liquidity risk through daily, monthly and quarterly monitoring with the following objectives: maintaining flexibility in funding by keeping sufficient available loan facilities or loan commitments provided by banks and other financial institutions, making projections of future cash flows and evaluating the appropriate net current asset/liability position, and maintaining an efficient internal funds transfer mechanism.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows:

	On demand RMB'000	Within 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016						
Total financial assets	**1,365,374**	**2,225,732**	**7,303,785**	**22,868,798**	**298,433**	**34,062,122**
Total financial liabilities	**(85,145)**	**(2,819,325)**	**(4,690,567)**	**(16,305,141)**	**(1,000)**	**(23,901,178)**
Net liquidity gap[(1)]	**1,280,229**	**(593,593)**	**2,613,218**	**6,563,657**	**297,433**	**10,160,944**
At 31 December 2015						
Total financial assets	1,937,596	1,844,212	5,780,383	18,190,481	2,715	27,755,387
Total financial liabilities	(6,225)	(2,104,131)	(6,446,741)	(10,345,528)	–	(18,902,625)
Net liquidity gap[(1)]	1,931,371	(259,919)	(666,358)	7,844,953	2,715	8,852,762

(1) A positive net liquidity gap indicates financial assets more than financial liabilities and there is no funding gap, while a negative net liquidity gap indicates otherwise.

In order to prevent the liquidity risk and to secure the source of certain mid and long-term funds under the market environment with decreasing financing cost and sufficient liquidity, the Group proactively increased the proportion of mid and long-term financing in 2016. Therefore, the durations of financial assets and liabilities match more closely.

8. PLEDGE OF GROUP ASSETS

As at 31 December 2016, the Group had lease receivables of RMB4,735.19 million and cash of RMB147.22 million pledged or paid to banks to secure the bank borrowings.

9. CIRCUMSTANCES INCLUDING CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

9.1 Contingent Liabilities

	31 December 2016 RMB'000	31 December 2015 RMB'000
Legal proceedings		
Claimed amounts	**–**	1,278

9.2 Capital Commitments and Credit Commitments

The Group had the following capital commitments and credit commitments as at each of the dates indicated:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Capital expenditure under signed contracts but not appropriated	**6,106**	5,628
Credit commitments [(1)]	**1,316,461**	804,604

(1) Credit commitments refer to the amount, conditional and revocable, under approved lease contracts but not appropriated by settlement date.

Except for the capital commitments listed above, the Group entered into a cooperation agreement with First Affiliated Hospital on 30 August 2016, pursuant to which the Group has agreed to provide a total amount of RMB2 billion in cash to fund the project and manage and operate International Landport Hospital in a manner as agreed by both parties after completion of the project construction. As at 31 December 2016 the Group has not made any payment for the project construction.

10. HUMAN RESOURCES

As of 31 December 2016, we had a total of 536 employees, representing an increase of 103 or 23.79%, compared to 433 as of 31 December 2015.

We have a highly educated and high quality work force, with about 91.2% of our employees holding bachelor degrees and above, about 53.0% holding master's degrees and above and about 2.4% holding doctor's degrees as of 31 December 2016.

We have established and implemented a flexible and efficient employee incentive compensation plan to link the remuneration of our employees to their overall performance and contribution to the Company. We have established a remuneration and award system based on their overall performance and accomplishment of work targets. We promote employees based on their positions, service term and overall performance by category into professional or managerial group, which provides employees with a clear career path. We perform a comprehensive performance evaluation for different types and different levels of employees on an annual basis according to business objective obligations and achievement of key objectives.

In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance plans) and housing funds for our employees. We also provide other insurance plans for our employees such as supplementary pension, additional medical insurance and personal accident insurance in addition to those required under the PRC regulations. As of 31 December 2016, we had complied with all statutory social insurance and housing fund obligations applicable to us under PRC laws in all material aspects.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board has been committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and the Company has adopted the CG code as its own code of corporate governance.

In the opinion of the directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2016 save for the deviation from code provision A.4.21 which deviation is explained in the relevant paragraphs of this Corporate Governance Report.

The Board will from time to time, review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its Securities Dealing Code on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

The Securities Dealing Code applies to all directors and to employees of the Company and/or its subsidiaries to whom the code is given and who are informed that they are subject to its provisions.

Specific enquiry has been made to all the directors who have confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the year.

No incident of non-compliance of the Securities Dealing Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Board currently comprises twelve members, which consists of two executive Directors, six non-executive Directors, and four independent non-executive Directors.

The Board of the Company comprises the following directors during the year ended 31 December 2016:

Executive Directors:
Mr. Guo Weiping *(Chief Executive Officer)*
Ms. Peng Jiahong *(Chief Financial Officer)*

Non-executive Directors:
Mr. Zhang Yichen *(Chairman)*
Mr. Jiang Xin *(Vice-chairman)*
Mr. Liu Zhiyong
Mr. Liu Xiaoping
Mr. Su Guang
Mr. Zeng Yu[(1)]
Mr. Chen Weisong[(2)]

Independent Non-executive Directors:
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Kong Wei
Mr. Han Demin[(1)]
Mr. Lim Yean Leng[(3)]

(1) Appointed on 13 April 2016
(2) Resigned on 13 April 2016
(3) Resigned on 29 February 2016

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors are set out in the section headed "Biography of Directors and Senior Management" on pages 66 to 76 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of chairman and chief executive officer of the Company are held by Mr. Zhang Yichen and Mr. Guo Weiping respectively. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Group's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

On 29 February 2016, Mr. Lim Yean Leng resigned as an independent non-executive Director and a member of the Remuneration Committee. Subsequent to his resignation, the number of independent non-executive Directors did not represent at least one-third of the Board and the Remuneration Committee did not comprise a majority of independent non-executive Directors as required under Rules 3.10A and 3.25 of the Listing Rules respectively. The Company had taken appropriate measures to search for a suitable candidate to fill the casual vacancy. After Mr. Han Demin was appointed as an independent non-executive Director and a member of the Remuneration Committee (effective on 13 April 2016), the Company has complied with the requirements of Rules 3.10A and 3.25 of the Listing Rules.

Save for the above, throughout the year ended 31 December 2016, the Board at most of the times had four independent non-executive Directors and met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence in accordance with the independence criteria set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Terms of Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service contract with the Company for a term of five years. Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, and is subject to retirement provision pursuant to the Articles.

Except for the executive Directors, at each annual general meeting, one-third of the Directors or the number which is nearest to and is at least one-third, shall retire from office by rotation and be eligible for re-election. The executive Directors are not subject to retirement provision of the Articles, but the Articles shall not prejudice the power of shareholders in general meeting to remove any such Director. To ensure continuity of leadership and stability for growth of the Company, the Board opined that the executive Directors should hold office on a continuous basis.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors make decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those which may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

The Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored-made induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and other relevant statutory requirements.

On 29 April 2016 and 5 May 2016, the Company organised a training on continuing duties of directors of Hong Kong listed issuers, which was delivered by Wilson Sonsini Goodrich & Rosati, the Company's legal adviser, to Mr. Zeng Yu and Mr. Han Deming, newly appointed Directors, respectively.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year, relevant reading materials relating to Guidelines for Directors and Guidelines for independent non-executive Directors were provided to the Directors, namely Mr. Guo Weiping, Ms. Peng Jiahong, Mr. Zhang Yichen, Mr. Jiang Xin, Mr. Liu Zhiyong, Mr. Liu Xiaoping, Mr. Su Guang, Mr. Zeng Yu, Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Kong Wei and Mr. Han Demin for their reference and studying.

BOARD COMMITTEES

The Board has established five committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Control Committee and the Strategy Committee to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the websites of the Stock Exchange and the Company, respectively.

The majority of members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The main duties of the Audit Committee include monitoring the integrity of the Company's financial statements, annual report and interim report, and reviewing significant financial reporting judgements contained therein; reviewing the Company's financial controls, risk management and internal control systems; making recommendations to the Board on the appointment, reappointment and removal of external auditor, and approving the remuneration and terms of engagement of external auditor, as well as reviewing arrangements which can be used by the employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code. Its main duties include developing and reviewing the Company's policies and practices on corporate governance and make recommendation to the Board; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; reviewing and monitoring the training and continuous professional development of directors and senior management of the Company; and reviewing the Company's compliance with the CG code, the Model Code and the Securities Dealing Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual reports.

During the year, the Audit Committee held two meetings to review the annual financial results and reports in respect of the year ended 31 December 2015 and the interim financial results and reports in respect of the six months ended 30 June 2016, respectively. The Audit Committee also reviewed the effectiveness of the risk management and internal control systems and discussed with the internal audit department on their findings and adequacy of resources of internal audit function and also reviewed arrangements for employees to raise concerns about possible improprieties. The Audit Committee also reviewed the financial controls system and connected transactions.

The Audit Committee also reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Audit Committee met with the external auditor twice during the year for reviewing the Company's annual and interim financial results. The Audit Committee also passed written resolutions during the year, without the participation of management, to resolve matters relating to the audit fees and terms of engagement of the external auditor.

Remuneration Committee

The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and establishing a formal and transparent procedure for developing the remuneration policy; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and ensuring that no Director or any of his close associates is involved in deciding his own remuneration.

During the year, the Remuneration Committee met once to review the remuneration of the Directors and senior management of the Company as well as the total amount of remuneration paid by the Company in 2016. By reference to the growth rate of corporate profit and remuneration of the Company and the comparable companies in recent years, the Remuneration Committee concluded on the total remuneration paid in 2016 and suggested that the total remuneration paid in the future should be set on the basis of sustainable development and commensurate with the financial results of the Group and market standard in order to attract and retain talents.

On 13 April 2016, the Remuneration Committee also passed written resolutions for making recommendations to the Board on the remuneration package of the newly appointed non-executive Director and independent non-executive Director.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board; identifying individual suitably qualified to become members of the Board and select or making recommendations to the Board on the selection of individuals nominated for directorship; making recommendations to the Board on the appointment, reappointment and succession planning of Directors; and assessing the independence of independent non-executive Directors, as well as reviewing the board diversity policy.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board in terms of skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. In accordance with the board diversity policy, a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit while taking into account diversity (including gender diversity).

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship. The Nomination Committee evaluate candidate(s) based on the criteria by reference to the Company's business and corporate strategy and recommend desirable candidate(s) for directorship(s) to the Board, which include character, qualifications (including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy), independence by reference to the Listing Rules (for appointment of independent non-executive Director) and Board diversity policy.

During the year, the Nomination Committee met once to review the structure, size and composition of the Board, the board diversity policy and the rotation of Directors. The Nomination Committee considered that the structure of the Board was reasonable and an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective for implementing diversity on the Board. The Nomination Committee also considered that the Directors are rich in knowledge and experience background and their outstanding skills in their respective expertise can meet the development needs of the Company. The Nomination Committee also recommended the retiring Directors to be re-elected at the AGM and assessed the independence of the independent non-executive Directors in accordance with the Listing Rules and the Articles.

In addition, the Nomination Committee passed written resolutions on 13 April 2016 for making recommendations to the Board on the nomination of two new Directors to fill the casual vacancies caused by the resignation of two Directors during the year in accordance with the nomination procedures adopted for selection of candidates for directorship.

Risk Control Committee

The principal duties of the Risk Control Committee include conducting research on and making recommendations to the Board on the Group's risk management and control systems, ensuring development and maintenance of the Group's systems, reviewing and approving risk management policies and guidelines, undertaking an annual review of the risk management framework, monitoring the implementation of risk management measures and procedures and reviewing the effectiveness of the Group's risk management system.

During the year, the Risk Control Committee met once to discuss the risk management framework and management strategy, systems precautions, process optimization and implementation of risk management measurements. The Risk Control Committee believed that the Group's risk management and internal control systems were well-established as the Company had established appropriate risk identification, control and prevention systems in relation to different risk categories which ensure effective risk management and internal control systems of the Group. The Risk Control Committee also reviewed the effectiveness of the internal audit function.

The Risk Control Committee proposed to further enhance the risk management system of the Group, review the effectiveness of the risk management system regularly and strengthen training on risk management.

Strategy Committee

The principal duties of the Strategy Committee include conducting research on and making recommendations to the Board on the Group's mid-term and long-term strategies and their feasibility, conducting research and making recommendations to the Board on the Group's investment plans, major business decisions and investment earnings forecast and evaluating and monitoring the implementation of the strategy, plans and measures adopted by the Committee.

During the year, the Strategy Committee met once to discuss the commercial plans for the years 2016 to 2018 and strategic objectives and direction of development of the Group. As the commercial plans in the past three years were satisfactorily accomplished, every management work was well-developed and the Company was successfully listed on the Stock Exchange, the Strategy Committee advised the Group to seriously study industry policies and development opportunities, pay close attention the competitors' strategic approaches, and actively explore the Group's new business development path focusing on healthcare industry as well as and the effective implementation of measures to carry out the strategies.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Strategy Committee and at the general meetings held during the year are set out below:

	Attendance/Number of Meetings during the tenure of directorship							
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Control Committee	Strategy Committee	2016 AGM	EGM
Guo Weiping	5/5	N/A	N/A	N/A	N/A	1/1	1/1	1/1
Peng Jiahong	5/5	N/A	N/A	N/A	1/1	N/A	1/1	1/1
Zhang Yichen	4/5	N/A	N/A	1/1	N/A	1/1	1/1	0/1
Jiang Xin	4/5	N/A	N/A	N/A	N/A	1/1	1/1	0/1
Liu Xiaoping	5/5	2/2	N/A	N/A	N/A	N/A	1/1	1/1
Liu Zhiyong	5/5	N/A	N/A	N/A	1/1	N/A	1/1	1/1
Su Guang	5/5	N/A	N/A	N/A	1/1	N/A	1/1	1/1
Chen Weisong#1	2/2(1)	N/A	1/1(1)	N/A	N/A	N/A	0/0(1)	0/0(1)
Zeng Yu#2	3/3(2)	N/A	0/0(2)	N/A	N/A	N/A	1/1(2)	1/1(2)
Lim Yean Leng#3	1/1(3)	N/A	1/1(3)	N/A	N/A	N/A	0/0(3)	0/0(3)
Li Yinquan	5/5	2/2	N/A	N/A	N/A	N/A	1/1	1/1
Chow Siu Lui	5/5	2/2	1/1	1/1	N/A	N/A	1/1	1/1
Kong Wei	5/5	N/A	N/A	1/1	N/A	N/A	1/1	1/1
Han Demin#2	2/3(2)	N/A	0/0(2)	N/A	N/A	N/A	0/1(2)	1/1(2)

#1 Resigned with effect from 13 April 2016

#2 Appointed with effect from 13 April 2016

#3 Resigned with effect from 29 February 2016

(1) Up to 13 April 2016

(2) Since 13 April 2016

(3) Up to 29 February 2016

Apart from the regular Board meetings, Chairman Zhang Yichen also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The Directors are not aware of any material uncertainties relating to events or conditions that may significantly affect the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditors' report on pages 116 to 117 of this annual report.

DEED OF NON-COMPETITION OF THE CONTROLLING SHAREHOLDER

Reference is made to the non-competition undertakings given by GT-PRC in favour of the Company disclosed in the Prospectus. GT-PRC has confirmed to the Company that it has complied with the non-competition undertakings during the year. The independent non-executive Directors have conducted such review for the year, and also reviewed the relevant undertakings and are satisfied that such undertakings have been complied with.

AUDITORS' REMUNERATION

During the year ended 31 December 2016, the remuneration paid or payable to the Company's external auditor, Ernst & Young, is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit Services	1,950.00
Non-audit Services	848.68

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board conducts a review on the internal control system of the Group on an annual basis and has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and shareholders' interests. The Board also reviews and monitors the effectiveness of the risk management and internal control systems on a regular basis to ensure that the systems in place are adequate.

Sound and improved risk management and internal control systems

The Group has comprehensive risk management and internal control systems. The internal control system of the Group fully complies with the requirements under COSO (The Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management Framework and the guidelines provided by the Hong Kong Institute of Certified Public Accountants in relation to risk management. Meanwhile, by drawing experience on benchmark firms and taking into account the actual circumstances and business characteristics of the Group, a control framework has been developed to evaluate the effectiveness and appropriateness of its internal control and risk management systems, which provides reasonable assurance in relation to operational effectiveness, reliability of its financial reports and compliance with laws and regulations.

Internal control department carrying out internal audit function

The Company has set up an internal control department and guaranteed independence in terms of its organization, staffing and work. In performing their duties, the internal control department may inspect all business and meet relevant personnel without restrictions.

Through the use of systematic and standardized audit procedures and approaches as well as regular procedures of assessment on internal control and risks, the internal control department evaluates the completeness and effectiveness of the internal control system of the Group on an ongoing basis. It reviews the risks identified, identifies potential risks in operation and makes recommendations on management improvement to ensure effective performance of the control system and foster continuous healthy development of the Group.

Features of risk management and internal control systems

The Board identifies risk appetite and level of risk based on features of the industry in which the Group operates, so as to ensure comprehensive and effective risk management and internal control systems. The management of the Company implements policies formulated by the Board in relation to risk management and internal control. The management of the Company is also responsible for identifying and evaluating risks as well as design, operation and supervision of effective risk management and internal control systems. The management assures soundness and effectiveness of systems whereas the Board supervises and holds the management accountable.

Effectiveness of the risk management and internal control systems

Taking into account the result of internal control evaluation and prioritization of risk carried out annually, the internal control department formulates an annual plan for internal audit and discusses with the management to determine the annual plan for internal audit and deployment of resources.

During the year, the internal control department has stepped up supervision of high risk areas in operation by initiating audit work on business and mitigating operational risks. In the meantime, the internal control department has expanded the coverage of audit work to include organizational management, financial, financing and IT sectors, which elevate the overall level of management of the Company. In order to ensure normal functioning of internal control system, the internal control department provides regular or irregular reports on audit work to the management.

To address the issues identified in an audit, the internal control department would make recommendations for rectification and request relevant departments to make commitments, specify plans and approaches and ensure implementation. The internal control department would monitor and follow up the implementation of its recommendations to ensure improvements are made.

In 2016, in accordance with the "Basic Rules for Corporate Internal Control"(《企業內部控制基本規範》) jointly promulgated by Ministry of Finance of the PRC, China Securities Regulatory Commission, National Audit Office of the PRC, CBRC and China Insurance Regulatory Commission on 28 June 2008, the internal control department requested for evaluation on internal control and reviewed the rectification work for internal control issues during internal control assessment in 2015. With emphasis on key areas of concerns and processes, the Board has a better picture of the current conditions of internal control by analyzing various internal control points relating to the business processes and unearthing defects and weaknesses of the internal control system for improvements in a timely manner. It ensures operations and management in compliance with laws and regulations as well as truthfulness and completeness of financial reports and relevant information, enhancing the efficiency and effectiveness of operation and safeguarding strategic development of the Group.

With a comprehensive internal control system, the Group has greatly enhanced its capability of risk management and control. To strengthen the control and management of substantial risks, the Group has developed an early warning mechanism of substantial risks, identifying credit risk, interest rate risk, foreign exchange rate risk and liquidity risk as substantial risks and designating the internal control department as the leading and responsible department for each type of risks. For each type of substantial risks, the Group has developed monitoring indicators. Related departments are responsible for identification and analysis on relevant risks to determine corresponding risk strategies based on risk tolerance. The internal control department gathers management condition of each type of risk regularly, and the risks faced by each business unit and its risk management and control system capabilities are reflected to the management in a timely manner, so as to minimize loss and enhance the Group's defensing capability against risks. In 2016, probability of each type of substantial risks remained stable at a relatively low level as compared with last year, reflecting the effectiveness of the Group's risk management measures.

The Board, as assisted by the Audit Committee and the Risk Control Committee, assessed the effectiveness of the systems by reviewing the work and findings of the internal audit function. Based on the review results and findings of the management, Audit Committee and Risk Control Committee, the Board considered the risk management and internal control systems of the Group are adequate and effective for the year.

Inside information

The Company has developed an effective monitoring system for inside information and reporting processes to ensure prompt identification and evaluation of material information and submission of the same to the board for determining whether to disclose such information. The Company has strictly complied with the Inside Information Provisions (as defined under the Listing Rules) under the SFO and the Listing Rules. Through the implementation of "Manual for Disclosure of Inside Information and Information Required for Avoidance of False Market" (《披露內幕消息及避免虛假市場所需消息或資料手冊》) in June 2015, all personnel involved have been aware of such requirement which ensure all market participants could obtain same information on an equal and simultaneous basis.

COMPANY SECRETARY

Ms. Cheng Pik Yuk of Tricor Services Limited, an external service provider, has been engaged by the Company as company secretary. Its primary contact person at the Company is Ms. Peng Jiahong (an executive Director and the chief financial officer of the Company).

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange respectively after each general meeting.

Right to Call a General Meeting

General meetings may be convened by the Directors on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

Putting Forward Proposals at General Meeting

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for annual general meeting. Written request can be sent by post to the Company's registered office address at Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong or by email at IR@culc.genertec.com.cn.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries or requests to the Company for putting forward any enquiries to the Board of the Company. Contact details are as follows:

Address:	Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong (for the attention of the Board of Directors)
Email:	IR@culc.genertec.com.cn

Shareholders are also welcome to make enquiries via the online enquiry form available on the Company's website at www.universalmsm.com.

For the avoidance of doubt, shareholders must lodge their questions together with their detailed contact information (including full name, contact details and identification) for prompt response from the Company if the Company deems appropriate. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Company considers that effective communication with shareholders (both individual and institutional, and in appropriate circumstances, the investment community at large) is essential for enhancing investor relations and ensuring ready, equal and timely access to balanced and understandable information about the Company (including financial performance, strategic goals and plans, material developments and governance) by investors.

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. Board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and external auditors will use all reasonable efforts to attend annual general meetings and to answer shareholders' questions.

During the year, the Company has not made any changes to the Articles. An up to date version of the Articles is also available on the websites of the Stock Exchange and the Company, respectively. Shareholders may refer to the Articles for further details of their rights.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board of the Group is responsible and has general powers for managing and leading the Group's business. Our Board consists of two executive Directors, six non-executive Directors and four independent non-executive Directors.

Mr. Zhang Yichen – Non-Executive Director and Chairman of the Board

Mr. Zhang Yichen（張懿宸先生）, aged 53, is the chairman of the Board and a non-executive Director of the Company as well as the chairman of the Nomination Committee and a member of the Strategy Committee. He is primarily responsible for leading and chairing the Board and providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Zhang was appointed as Director on 19 June 2012 and was re-designated as non-executive Director on 6 March 2015. Mr. Zhang is also the chairman of the board of CULC.

Mr. Zhang is a member of the 11th and the 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Zhang was the chairman of China Venture Capital and Private Equity Association and is currently an executive committee member of its board of governors. He is also the vice chairman of Beijing Private Equity Association and Tianjin Private Equity Association, respectively, a member of The China Economic and Social Council and the vice chairman of the Center for China & Globalisation. Mr. Zhang is also a director of Shenhua Group Corporation Limited.

Mr. Zhang joined CITIC Group in 2000 and was an executive director of CITIC Limited (formerly known as CITIC Pacific Limited, whose shares are listed on the main board of the Stock Exchange (stock code: 267)) from March 2000 to May 2002. Mr. Zhang participated in the formation of CITIC Capital Holdings Limited whose principal business activities include investment and management of private equity fund. He is the chairman and the chief executive officer of CITIC Capital Holdings Limited. Prior to joining CITIC Group, he was a managing director in the debt markets group of Merrill Lynch (Asia-Pacific) Limited from September 1996 to February 2000 and was mainly responsible for the debt markets business.

Mr. Zhang served as a non-executive director of Xiezhong International Holdings Limited ("Xiezhong International"), whose shares are listed on the main board of the Stock Exchange (stock code: 3663)) from September 2011 to July 2014. Mr. Zhang served as an independent director of Weibo Corporation, whose securities are listed on the NASDAQ Stock Market, from January 2014 to December 2015. Since May 2002, Mr. Zhang has been serving as a director of Sina Corporation, whose securities are listed on the NASDAQ Stock Market.

Mr. Zhang was awarded a Bachelor of Science degree in Computer Science and Engineering from Massachusetts Institute of Technology, the USA in June 1986.

Through Mr. Zhang's interest in controlled corporations, by virtue of the SFO, he is deemed to be interested in 14.24% of the total number of issued Shares and is a substantial shareholder of the Company.

Mr. Jiang Xin – Non-Executive Director and Vice-Chairman of the Board

Mr. Jiang Xin（姜鑫先生）, aged 54, is the vice-chairman of the Board, a non-executive Director and the chairman of the Strategy Committee. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Jiang was appointed as Director on 19 June 2012 and was re-designated as non-executive Director on 6 March 2015. Mr. Jiang is also the vice-chairman of the board of CULC.

Since September 2005, Mr. Jiang has been the chief accountant of GT-PRC, a controlling shareholder of the Company, mainly responsible for managing basic corporate accounting, managing and supervising financial functions, setting financial and accounting internal control system and supervising material financial matters. Since March 2006, he has also been the chairman of GT-HK, which is a controlling shareholder of the Company and is wholly-owned by GT-PRC.

From August 1998 to June 2000, Mr. Jiang was the deputy general manager of the financial management department of GT-PRC. From June 2000 to February 2002, he was the chief accountant of CNTIC, a wholly-owned subsidiary of GT-PRC principally engaged in integrated services of technology trade, project contracting and project management. From February 2002 to September 2005, Mr. Jiang was the general manager of China National Corporation for Overseas Economic Cooperation (中國海外經濟合作總公司), a wholly-owned subsidiary of GT-PRC which principal businesses include international projects contracting and international and domestic trade. Mr. Jiang was mainly responsible for managing the general operation of such company.

Mr. Jiang obtained a Bachelor Degree in Economics in Hubei Institute of Finance and Economics (湖北財經學院) (now known as Zhongnan University of Economics and Law (中南財經政法大學)), China in July 1984. He obtained an Executive Master of Business Administration ("EMBA") Degree from Tsinghua University (清華大學), China in July 2008. He obtained a qualification certificate as a senior economist from the Appraisal and Approval Committee for Professional & Technical Qualification of the Ministry of Finance in China in September 1998.

EXECUTIVE DIRECTORS

Mr. Guo Weiping – Executive Director and Chief Executive Officer

Mr. Guo Weiping（郭衛平先生）, aged 61, is the chief executive officer and an executive Director of the Company and a member of the Strategy Committee. He is primarily responsible for managing the overall operations of the Group, planning business and development strategies of the Group and managing healthcare business of the Group. Mr. Guo was appointed as Director on 19 June 2012 and was re-designated as an executive Director on 6 March 2015. Mr. Guo is also a director of our subsidiaries.

Mr. Guo has over 30 years of experience in financial services, including 15 years of experience in medical financing services.

Before he joined the Group, during 1991 to 2006, Mr. Guo worked in Far Eastern Leasing Co. Ltd (遠東國際租賃有限公司) of the Sinochem Group (中國中化集團) which is principally engaged in leasing business. Mr. Guo was a deputy general manager who was mainly responsible for the management of such company's aviation business and medical business.

Mr. Guo joined the Group in August 2006 as a deputy general manager of CU Leasing. In June 2008, he was promoted to become the chief executive officer of CU Leasing. Since August 2010, Mr. Guo has been a director of CU Leasing. He is also the sole director of each of Uni-One and Uni-Two. Mr. Guo has been a director and the chief executive officer of Tianjin Leasing since its incorporation in December 2014. On 6 March 2015, Mr. Guo was appointed as the chief executive officer and an executive Director of the Company. Mr. Guo received a degree of Master of Business Administration from Oklahoma City University, the United States in May 1990.

Mr. Guo is the sole beneficial owner and sole director of ITCCL. He is also a director of WHSL. ITCCL and WHSL are shareholders of the Company and each holds about 0.89% of the total number of issued Shares. By virtue of the SFO, Mr. Guo is deemed to be interested in the Shares owned by ITCCL.

Ms. Peng Jiahong – Executive Director, Chief Financial Officer and Deputy General Manager

Ms. Peng Jiahong（彭佳虹女士）, aged 46, is the chief financial officer, the deputy general manager and an executive Director of the Company and a member of the Risk Control Committee. She is primarily responsible for financial planning and management, risk management, finance management, human resources and related administrative matters of the Group. Ms. Peng was appointed as Director on 22 December 2014 and was re-designated as an executive Director on 6 March 2015. Ms. Peng is also a director of certain subsidiaries of the Company. Ms. Peng has over 20 years working experience in financial services and financial management, including 9 years in medical financing services.

Before joining the Group, Ms. Peng worked as the manager of the finance department from August 1993 to August 2006 in CNTIC and she was mainly responsible for management of financing, fund risk, budgeting and financial reports preparation.

Ms. Peng joined the Group in August 2006 as a deputy general manager of the finance department of CULC. She was then promoted to become the general manager of the finance department of CULC in September 2008. She has been the chief financial officer and the deputy general manager of CULC and the Company since December 2009 and July 2012 respectively. She was appointed as a director of CULC and the Company in December 2014 respectively. Ms. Peng has been acting as a director, the chief financial officer and the deputy general manager of Tianjin Leasing since its incorporation in December 2014. On 6 March 2015, Ms. Peng was appointed as the chief financial officer, the deputy general manager and an executive Director of the Company.

Ms. Peng graduated from the University of International Business and Economics, China (中國對外經濟貿易大學) with a Bachelor Degree in Professional Accounting in June 1993. She also obtained an EMBA Degree from Tsinghua University (清華大學), China in June 2012. She was qualified as a senior accountant (高級會計師) in December 2006 by the Appraisal and Approval Committee for Professional & Technical Qualification of GT-PRC.

Ms. Peng is the sole beneficial owner and sole director of Evergreen. Ms. Peng is also a director of WHSL. WHSL and Evergreen are shareholders of the Company and holds about 0.89% and 0.44% respectively of the total number of issued Shares. By virtue of the SFO, Ms. Peng is deemed to be interested in the Shares owned by Evergreen.

OTHER NON-EXECUTIVE DIRECTORS

Mr. Liu Zhiyong – Non-executive Director

Mr. Liu Zhiyong (劉志勇先生), aged 46, a non-executive Director and a member of the Risk Control Committee. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Liu became a director of CULC in December 2005. He was appointed as Director of the Company since 19 April 2012 and was re-designated as non-executive Director on 6 March 2015. Mr. Liu is also a director of CULC.

Prior to joining the Group, from July 1992 to May 1998, Mr. Liu was the deputy general manager of the finance department of CNTIC, mainly responsible for finance management. Since May 1998, he has been in service with GT-HK (formerly known as CNTIC Group International Finance Limited) which is principally engaged in assets management.

Mr. Liu is currently the general manager and a director of GT-HK, a controlling shareholder of the Company and is mainly responsible for managing the general operation of that company. He was a non-executive Director of Lijun International Pharmaceutical (Holdings) Co., Ltd., whose shares are listed on the main board of the Stock Exchange (stock code:2005), from December 2004 to October 2011.

Mr. Liu was awarded a Bachelor degree in Accounting from the People's University of China (中國人民大學), China in July 1992 and obtained an EMBA Degree from the Hong Kong University of Science and Technology, Hong Kong in November 2006. He obtained a qualifying certificate from the Examination Committee of Certified Public Accountants of the Ministry of Finance in December 1994.

Mr. Liu Xiaoping – Non-executive Director

Mr. Liu Xiaoping (劉小平先生), aged 61, is a non-executive Director and a member of the Audit Committee. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Liu was appointed as Director on 19 June 2012 and was re-designated as non-executive Director on 6 March 2015. Mr. Liu is also a director of CULC and the chairman of Tianjin Leasing.

Mr. Liu has been a senior managing director of private equity department of CITIC Capital Holdings Limited since December 2005 and he was mainly responsible for leading private equity projects in China. Mr. Liu is a director of CITIC Capital Leasing, a shareholder of the Company which holds 14.24% of the total number of issued Shares.

Prior to joining CITIC Capital Holdings Limited, from August 1998 to August 2002, Mr. Liu was the vice president of direct investment department of China International Capital Corporation (Hong Kong) Limited, whose principal business activities include direct investment. From March 2004 to September 2005, he served as an executive director of Alibaba Health Information Technology Limited (formerly known as CITIC 21CN Company Limited, whose shares are listed on the main board of the Stock Exchange (stock code: 241)). Mr. Liu also served as a non-executive director of Xiezhong International from September 2011 to July 2014.

Mr. Liu graduated from Jilin University (吉林大學) (formerly known as Jilin University of Technology (吉林工業大學)), China in January 1980 and studied Mechanical Engineering. He received a Master Degree in Engineering from Beijing University of Aeronautics and Astronautics (北京航空航天大學) (formerly known as Beijing Institute of Aeronautics and Astronautics (北京航空學院)), China in April 1982 and a Doctor Degree of philosophy from the University of Minnesota, the USA in March 1990.

Mr. Su Guang – Non-executive Director

Mr. Su Guang（蘇光先生）, aged 37, is a non-executive Director and the chairman of the Risk Control Committee. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Su was appointed as Director on 22 December 2014 and was re-designated as non-executive Director on 6 March 2015. Mr. Su is also a director of CULC.

Mr. Su has served as a vice president of the asset management department of the headquarters of Ping An Bank Co., Ltd. ("Ping An Bank") (listed on the Shenzhen Stock Exchange, stock code: 000001) since March 2016, and is also a vice chief representative of Ping An Bank's representative office in Hong Kong. Before that, Mr. Su was the managing director and head of cross border structured finance of ICBC International Holdings Limited, which is wholly-owned by Industrial and Commercial Bank of China Limited, a company listed on the main board of the Stock Exchange (stock code: 1398) and on the Shanghai Stock Exchange (stock code: 601398), and was mainly in charge of cross-border structured investments and financing business.

Mr. Su obtained a Master of Science Degree in Financial Analysis from the Hong Kong University of Science and Technology in June 2012.

Mr. Zeng Yu – Non-executive Director

Mr. Zeng Yu (曾昱先生), aged 36, is a non-executive Director and a member of the Remuneration Committee. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Zeng was appointed as a non-executive Director on 13 April 2016. Mr. Zeng is also a director of CULC and Tianjin Leasing.

Mr. Zeng is the deputy general manager of CCBI Asset Management Limited ("CCB International"). He is also a member of National Financial Youth Federation (全國金融青聯), secretary general of its Hong Kong branch and a member and secretary general of the presidium of the Chinese Financial Association of Hong Kong. Mr. Zeng has almost 15 years of working experience in the financial area in mainland China and in Hong Kong investment banks. Prior to joining CCB International, he used to work in the head office of China Construction Bank. He was licensed as a responsible officer for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities of the Securities and Futures Commission of Hong Kong.

Mr. Zeng was awarded a Master of Business Administration (MBA) Degree from Central University of Finance and Economics in 2009. He was awarded an EMBA program certificate in finance media from the PBC School of Finance, Tsinghua University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Yinquan – Independent Non-executive Director

Mr. Li Yinquan（李引泉先生）, aged 61, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Audit Committee.

Mr. Li joined China Merchants Group in March 2000. He served as an executive director of China Merchants Holdings (International) Company Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 144)) from June 2001 to March 2015 and a non-executive director of China Merchants Bank Co., Ltd. (whose shares are listed on the main board of the Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036)) from April 2001 to June 2016. He is now a director of China Merchants Group, chairman of the board of China Merchants Capital Management Company Limited, an executive director of China Merchants China Direct Investments Limited (whose shares are listed on the main board of the Stock Exchange, stock code: 133). Prior to joining China Merchants Group, Mr. Li worked in the Agricultural Bank of China, and was the vice general manager of the Hong Kong branch before he left that bank.

Mr. Li was awarded a Bachelor degree in Economics from Shaanxi Institute of Finance and Economics (陝西財經學院), China in July 1983. He was then awarded a Master Degree in Economics from the PBC School of Finance, Tsinghua University (清華大學五道口金融學院) (formerly known as Graduate School of the People's Bank of China (中國人民銀行總行金融研究所)) in July 1986. In October 1988, Mr. Li obtained a Master Degree in Banking and Finance for Development from Finafrica Foundation in Milan, Italy. In August 1989, he obtained the qualification as a senior economist by the Appraisal and Approval Committee for Professional & Technical Qualification of the Agricultural Bank of China.

Mr. Chow Siu Lui – Independent Non-executive Director

Mr. Chow Siu Lui（鄒小磊先生）, aged 56, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the Audit Committee.

Mr. Chow has a wealth of experience in fund raising and IPO activities in Hong Kong and in accounting and financial areas. He is currently the partner of VMS Investment Group (HK) Ltd. and he is responsible for providing advice on issues regarding fund raising, pre-IPO group restructuring and due diligence exercises for investment projects. Prior to that, Mr. Chow was in service with KPMG Hong Kong for about 28 years and was admitted as one of its partners in 1995. He was then mainly responsible for IPO advisory services and assisting in fund raising activities in local and overseas stock exchanges.

Mr. Chow is the chairman of the audit committee and the investment strategy task force of the HKICS and also the chairman of the Mainland Development Strategies Advisory Panel of the HKICPA.

Mr. Chow is now an independent non-executive director of Fullshare Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 607)), Sinco Pharmaceuticals Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 6833)), Futong Technology Development Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 465)) and Shanghai Dazhong Public Utilities (Group) Co., Ltd. (whose shares are listed on the main board of the Stock Exchange (stock code: 1635)), respectively. He acted as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (whose shares are listed on the growth enterprise market of the Stock Exchange (stock code: 8181)) from February 2015 to October 2015.

Mr. Chow was awarded a Professional Diploma in Accountancy from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic), Hong Kong in November 1983. By profession, he became a fellow of the Association of Chartered Certified Accountants in July 1991, the ICSA and HKICS both in October 2009, and the HKICPA in December 1993.

Mr. Kong Wei – Independent Non-executive Director

Mr. Kong Wei（孔偉先生）, aged 44, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also a member of the Nomination Committee.

Mr. Kong has been practising Chinese laws for more than 20 years and he is now a partner of Zhong Lun Law Firm, specialising in capital markets, mergers, acquisitions and financing of companies and project financing. Mr. Kong is in charge of the capital market and corporate business of the firm's Shanghai branch.

Mr. Kong was awarded a Bachelor Degree in Law from Gansu Institute of Political Science and Law (甘肅政法學院), China in July 1993 and was admitted as a practicing lawyer Department of Justice in Gansu Province in the same year.

Mr. Han Demin – Independent Non-executive Director

Mr. Han Demin (韓德民先生), aged 65, was appointed as an independent non-executive Director and a member of the Remuneration Committee on 13 April 2016.

Mr. Han is an academician of Chinese Academy of Engineering and expert in otolaryngology-head and neck surgery. He is now the head of otolaryngology-head and neck surgery department of Beijing Tongren Hospital, Capital Medical University and the dean of Otolaryngology School, Capital Medical University. He is also a director of Collaborating Center for Prevention of Deafness and Hearing Impairment of the World Health Organisation, president of the World Chinese Society of Otolaryngology-Head and Neck Surgery* (世界華人耳鼻咽喉頭頸外科學會), honorary chairman of Otolaryngology-Head and Neck Surgery Branch under Chinese Medical Association, chairman of the Otolaryngology-Head and Neck Surgeons Branch under Chinese Medical Doctor Association and chairman of China International Exchange and Promotive Association for Medical and Health Care and head of National Guidance Team for Prevention and Treatment of Deafness.

In 1990, Mr. Han was awarded a Doctor Degree of Medicine from China Medical University and a Doctor Degree of Medicine and a Doctor Degree of Philosophy in Medicine from Kanazawa Medical University, Japan. In 1991, he did his post-doctoral research in Beijing Institute of Otolaryngology and Otolaryngology Department of Beijing Tongren Hospital. In 1994, he was promoted to professor and doctoral supervisor of Capital Medical University. He was also a former superintendent of Beijing Tongren Hospital. Mr. Han was awarded three Second Prizes for National Science and Technology Progress Award. He also won 14 provincial prizes for science and technology achievements and granted 10 patents for practical inventions. He led 9 main projects and surface projects in the 10th and 11th Five-year Plan Periods of Ministry of Science and Technology and Natural Science Foundation of China as well as 21 provincial research subjects. He has been granted a special allowance from the State Council of China since 1992 and was titled "Young and Middle-aged Expert with Remarkable Achievements" by the Ministry of Human Resources of China and the Beijing Municipal Government. In 2007, he won "He Liang & He Li" Prize for Science and Technology Progress. In 2012, he was awarded "UN South – South International Humanism Spirit Prize", the first doctor winner ever in history. In 2013, he was titled as "Beijing Scholar" and "Academician of Chinese Academy of Engineering".

* for identification purpose only

SENIOR MANAGEMENT

Mr. Yang Jingyao – Deputy General Manager

Mr. Yang Jingyao（楊景耀）, aged 50, joined our Group in January 2015. He is mainly responsible for managing our medical equipment sourcing, sales and technical services business.

Mr. Yang was awarded a Bachelor Degree in Economics in July 1987 from the Guangdong University of Foreign Studies (廣東外語外貿大學) (formerly known as the Guangzhou Institute of Foreign Trade (廣州對外貿易學院)). He obtained a degree of Executive Master of Business Administration in May 2006 from the University of Texas at Arlington, the U.S..

Before Mr. Yang joined our Group, he was in service with China Meheco Co., Ltd. (中國醫藥健康產業股份有限公司 (formerly known as 中國醫藥保健品股份有限公司)) from July 1987 to December 2009. Mr. Yang's last position in that company was deputy general manager and he was mainly responsible for the management and supervision of international trade of medicine and medical products. He was the manager of General Office of GT-PRC from December 2009 to December 2014, mainly responsible for the overall coordination, internal and external promotion of that company, and communication with external parties.

Mr. Wang Wenbing – Deputy General Manager

Mr. Wang Wenbing（王文兵）, aged 43, joined our Group in February 2017 and is the deputy general manager of the Group. He is mainly responsible for managing the internal risk control of the Group.

Mr. Wang was awarded a Bachelor degree in Accounting in July 1996 from the Central University of Finance and Economics. He obtained a postgraduate equivalent degree in Accounting from the Postgraduate Section of the Research Institute for Fiscal Science of the Ministry of Finance in September 2008.

Before Mr. Wang joined our Group, he was in service with China National Technical Import and Export Corporation Export Corporation from July 1996 to May 2002 and his last position in that company was the chief of the finance department. He was the manager of the finance department of Genertec Europe Temax GmbH（歐洲德瑪斯公司）from May 2002 to September 2004, and the manager of the finance department of Genertec Italia S.R.L.（德瑪斯義大利有限責任公司）from September 2004 to September 2006. He was in service with the financial management department of GT-PRC from September 2006 to December 2012, and his last position in that company was the manager of the capital management department. From December 2012 to December 2016, he was the deputy general manager of finance department of GT-PRC and the director of Genertec Finance Co., Ltd..

Mr. Chen Jianying – Deputy General Manager

Mr. Chen Jianying（陳劍影）, aged 40, joined our Group in October 2014. He is mainly responsible for managing the leasing business of our Group.

Mr. Chen was awarded a Bachelor Degree of Engineering in Applied Electronic (應用電子技術) in June 1997 and a Master Degree of Economics in International Trade (國際貿易學) in April 2003, both from the Wuhan University of Technology (武漢理工大學) (formerly known as Wuhan Automotive Polytechnic University (武漢汽車工業大學)), China.

Before Mr. Chen joined our Group, from August 2006 to March 2012, Mr. Chen was the general manager of the energy business department and the aviation business department of Shanghai Electric Leasing Co., Ltd. (上海電氣租賃有限公司). From April 2012 to September 2014, he was the senior manager of SPDB Financial Leasing Co., Ltd. (浦銀金融租賃股份有限公司).

COMPANY SECRETARY

Ms. Cheng Pik Yuk— Company Secretary

Ms. Cheng Pik Yuk（鄭碧玉）, was appointed as the Company Secretary of our Company on 6 March, 2015. She is mainly responsible for the provision of corporate secretarial services.

Ms. Cheng is a director of the corporate services department in Tricor Services Limited. She has over 30 years of experience in the corporate secretarial field, providing corporate secretarial services to Hong Kong listed companies and multi-national companies.

Ms. Cheng obtained a Higher Diploma in Company Secretaryship and Administration from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic), Hong Kong in November 1980. She was admitted as a fellow of both the HKICS and the ICSA, both in June 1996.

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report of the year 2016 together with the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL BUSINESS ACTIVITIES

The Group is principally engaged in the provision of integrated healthcare services with integration of capital, technology, equipment, specialists, management and training resources to hospital customers. Our business can be divided into four major sectors, including healthcare financial services, hospital investment & management services, healthcare technology services and healthcare digitalization services. For healthcare financial sector, the Group owns two subsidiaries (CULC and Tianjin Leasing) as operating entities. For hospital investment & management, healthcare technology and healthcare digitalization sectors, the Group has established Wiseman Hospital Investment & Management (Tianjin) Co., Ltd., Universal Medical HarmoCare Technology Services (Tianjin) Co., Ltd., Sinosound Healthcare Technology (Tianjin) Co., Ltd. and Xi'an Ronghui Hospital Construction Management Co., Ltd. as respective operating entities.

BUSINESS REVIEW

Part of the business review as required under Schedule 5 of the Companies Ordinance is included in the section headed "Management Discussion and Analysis" in this annual report on page 18 to 50 and the section headed "Environmental, Social and Governance Report" in this annual report on page 99 to 112, and such contents form part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 118 of this annual report.

The Board recommends the payment of a final dividend of HK$0.17 per share in respect of the year ended 31 December 2016 to shareholders whose names appear on the register of members of the Company on 16 June 2017. The proposed final dividend will be paid on 27 June 2017, subject to approval at the AGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from Tuesday, 30 May 2017 to Monday, 5 June 2017, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 29 May 2017; and

(ii) from Wednesday, 14 June 2017 to Friday, 16 June 2017, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 13 June 2017.

PROPERTY, PLANT AND EQUIPMENT

The movements in the Group's property, plant and equipment for the year are set out in Note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 24 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2016.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 122 of this annual report and Note 25 to the financial statements, respectively.

CHANGE OF REGISTERED OFFICE ADDRESS

The Company's registered office address was changed to Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong, with effect from 23 August 2016.

DIRECTORS

During the financial year ended 31 December 2016 and up to the date of this report, Directors were as follows:

Executive Directors
Mr. Guo Weiping
Ms. Peng Jiahong

Non-Executive Directors
Mr. Zhang Yichen
Mr. Jiang Xin
Mr. Liu Zhiyong
Mr. Liu Xiaoping
Mr. Su Guang
Mr. Zeng Yu (appointed on 13 April 2016)

Independent Non-executive Directors
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Kong Wei
Mr. Han Demin (appointed on 13 April 2016)

During the year, Mr Chen Weisong and Mr. Lim Yean Leng, former directors of the Company, resigned on 13 April 2016 and 29 February 2016, respectively.

DIRECTORS OF SUBSIDIARIES

The directors of CULC (a subsidiary of the Company), during the financial year ended 31 December 2016 and up to the date of this report, were Mr. Zhang Yichen, Mr. Jiang Xin, Mr. Guo Weiping, Ms. Peng Jiahong, Mr. Liu Zhiyong, Mr. Liu Xiaoping, Mr. Su Guang, Mr. Zeng Yu and Mr. Chen Weisong (resigned on 13 April 2016).

The directors of Tianjin Leasing (a subsidiary of the Company), during the financial year ended 31 December 2016 and up to the date of this report, were Mr. Liu Xiaoping, Mr. Guo Weiping, Ms. Peng Jiahong, Mr. Zeng Yu and Mr. Chen Weisong (resigned on 13 April 2016).

The directors of Sinosound Healthcare Technology (Tianjin) Co., Ltd. (a subsidiary of the Company), during the financial year ended 31 December 2016 and up to the date of this report were Mr. Guo Weiping, Ms. Peng Jiahong and Mr. Qiao Guibin.

The executive director of Xi'an Ronghui Hospital Construction Management Co., Ltd. (a subsidiary of the Company), during the financial year ended 31 December 2016 and up to the date of this report was Mr. Guo Weiping.

Mr. Guo Weiping is also the director of the remaining subsidiaries which are included in the consolidated financial statements.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 66 to 76 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2016, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

The Directors' remuneration is determined with references to the remuneration of the comparable companies, the Directors' time contribution, duties and responsibilities and individual performance as well as the results of the Group.

Executive Directors

Each of the executive Directors has entered into a service contract with the Company pursuant to which he/she agreed to act as an executive Director for an initial term of five years with effect from 22 December 2014. Pursuant to the resolutions in writing of our shareholders passed on 10 June 2015, the form and substance of each of the service contracts (including the duration of thereof) made between executive Directors and the Company were approved.

The aggregate amount of the basic annual salaries of the two executive directors is RMB3.1 million. In addition, each of the executive Directors is also entitled to a discretionary management bonus taking into consideration the financial performance of the Group and the relevant executive Director's individual contribution to the Group for the financial year concerned. An executive Director may not vote on any resolution of Directors regarding the amount of the management bonus payable to him.

Non-Executive Directors and Independent Non-executive Directors

Each of the non-executive Directors, other than Mr. Zeng Yu, has entered into a letter of appointment with the Company pursuant to which he has been appointed for an initial term of three years commencing from 6 March 2015. Mr. Zeng Yu has entered into a letter of appointment with the Company pursuant to which he has been appointed for an initial term of three years commencing from 13 April 2016.

Each of the independent non-executive Directors, other than Mr. Han Demin, has entered into a letter of appointment with the Company pursuant to which he has been appointed for an initial term of three years commencing from 9 June 2015. Mr. Han Demin has entered into a letter of appointment with the Company pursuant to which he has been appointed for an initial term of three years commencing from 13 April 2016.

The non-executive Directors are not entitled to any director's fee. Each of the independent non-executive Directors is entitled to a director's fee of HK$200,000 per annum. Save for Directors' fees, none of the non-executive Directors or independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or an independent non-executive Director.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers that each of the independent non-executive Directors, namely Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Kong Wei and Mr. Han Demin, is independent. Mr. Lim Yean Leng, who resigned on 29 February 2016, also confirmed his independency during his tenure.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Directors and that of the senior management of the Group for the year ended 31 December 2016 are set out in Note 7 to the consolidated financial statements of the Group. The remuneration of each of the two senior management personnel fell within the band from HK$2,500,001 to HK$3,500,000.

PERMITTED INDEMNITY PROVISION

In accordance with the definition of section 469 of the Companies Ordinance, the permitted indemnity provision in relation to the director's and officer's liability insurance was in force during the financial year ended 31 December 2016 and remained in force until the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

The Company has entered into certain continuing connected transaction framework agreements with GT-PRC, as set out in the section headed "Continuing Connected Transaction" on page 88 of this annual report. Each of Mr. Jiang Xin and Mr. Liu Zhiyong (both non-executive Directors) holds positions in GT-PRC or its close associates, but they do not hold any management position within the Company and are not involved in the daily management of the Company.

Save as disclosed above, no Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the controlling shareholder of the Company or their respective subsidiaries was a party during the year.

COMPETING BUSINESS

The compliance of the controlling shareholder of the Company of the deed of non-competition entered into in favour of the Company on 10 June 2015 is set out in the Corporate Governance Report.

During the year, none of the Directors or the controlling shareholder of the Company or their respective close associates are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with our core businesses.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at 31 December 2016, other than the circumstances as disclosed in the Prospectus, the announcements of the Company dated 13 August 2015 and 22 April 2016, respectively, there were no other circumstances that give rise to a disclosure required under Rule 13.18 of the Listing Rules.

PENSION SCHEME

Details of the pension scheme of the Company are set out in the paragraph headed "Pension Obligations" in Note 2.5 to the financial statements.

SHARE OPTION SCHEMES

The Company has not adopted any share option schemes under Chapter 17 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Group was entered into or subsisted during the year.

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year were there any arrangements to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in Shares of the Company

Name	Nature of interest	Position	Number of Shares underlying Shares interested	Percentage of interest held in the Company
Zhang Yichen *(Note 1)*	Interest of controlled corporation	Chairman and non-executive Director	244,326,695	14.24%
Guo Weiping *(Note 2)*	Interest of controlled corporation	Executive Director	15,234,795	0.89%
Peng Jiahong *(Note 3)*	Interest of controlled corporation	Executive Director	7,617,400	0.44%

Notes:

(1) Please refer to note 2 on page 86 for details of Mr. Zhang Yichen's interest in Shares of the Company.

(2) Mr. Guo Weiping is the sole legal and beneficial owner of ITCCL which is the beneficial owner of the said 15,234,795 Shares. By virtue of the SFO, Mr. Guo Weiping is deemed to be interested in the Shares owned by ITCCL.

(3) Ms. Peng Jiahong is the sole legal and beneficial owner of Evergreen which is the beneficial owner of the said 7,617,400 Shares. By virtue of the SFO, Ms. Peng Jiahong is deemed to be interested in the Shares owned by Evergreen.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

As at 31 December 2016, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Long Positions in the Shares and the underlying Shares of the Company

Name of shareholder	Nature of interest	Number of shares & underlying shares interested	Approximate percentage of interest held in the Company
GT-HK *(Note 1)*	Beneficial owner	584,000,395	34.03%
GT-PRC *(Note 1)*	Interest of controlled corporation	647,478,700	37.73%
CITIC Capital Leasing *(Note 2)*	Beneficial owner	244,326,695	14.24%
CITIC Capital China Partners II, L.P. *(Note 2)*	Interest of controlled corporation	244,326,695	14.24%
CCP II GP Ltd. *(Note 2)*	Interest of controlled corporation	244,326,695	14.24%
CCP LTD. *(Note 2)*	Interest of controlled corporation	244,326,695	14.24%
CITIC Capital Partners Limited *(Note 2)*	Interest of controlled corporation	244,326,695	14.24%
CITIC Capital Holdings Limited *(Note 2)*	Interest of controlled corporation	244,326,695	14.24%
CP Management Holdings Limited *(Note 2)*	Interest of controlled corporation	244,326,695	14.24%
Central Huijin Investment Ltd. *(Note 3)*	Interest of controlled corporation	136,103,831	7.93%

Notes:

(1) Among the 647,478,700 Shares, 584,000,395 Shares are registered under the name of GT-HK and 63,478,305 Shares are registered under the name of China General Consulting & Investment (Hong Kong) Co., Limited ("CGCI-HK"). The entire issued share capital of GT-HK is ultimately owned by GT-PRC and the entire issued share capital of CGCI-HK is directly held by China General Consulting & Investment Co., Limited, which in turn, is wholly-owned by GT-PRC. By virtue of the SFO, GT-PRC is deemed to be interested in a total of 647,478,700 Shares held by GT-HK and CGCI-HK.

(2) CITIC Capital Leasing is wholly-owned by CITIC Capital China Partners II, L.P. ("CITIC Partners"). The general partner of CITIC Partners is CCP II GP Limited ("CCPII"), CCPII is wholly-owned by CCP LTD. CCP LTD. is a wholly-owned subsidiary of CITIC Capital Partners Limited ("CITIC Capital Partners"). CITIC Capital Partners is owned as to 51% and 49% by CITIC Capital Holdings Limited ("CITIC Capital Holdings") and CP Management Holdings Limited ("CP Management") respectively. CP Management is owned by CITIC Capital Holdings and Mr. Zhang Yichen in equal shares. By virtue of the SFO, CITIC Partners, CCPII, CCP LTD., CITIC Capital Partners, CITIC Capital Holdings, CP Management and Mr. Zhang Yichen are deemed to be interested in the same parcel of Shares in which CITIC Capital Leasing is interested.

(3) Among the 136,103,831 Shares, 61,834,216 Shares are owned by ICBCI and 74,269,615 Shares are owned by Glory Spring Global Investment Limited ("Glory Spring"). ICBCI is wholly-owned by ICBC International Finance Limited ("ICBCI Finance"), which is wholly-owned by ICBC International Holdings Limited ("ICBCI Holdings") and ICBCI Holdings in turn, is wholly-owned by Industrial and Commercial Bank of China Limited ("ICBC"). Glory Spring is wholly-owned by CCBI Investments Limited which in turn is wholly-owned by CCB International (Holdings) Limited. CCB International (Holdings) Limited is wholly-owned by CCB Financial Holdings Limited. CCB Financial Holdings Limited is wholly-owned by CCB International Group Holdings Limited, a wholly-owned subsidiary of China Construction Bank Corporation ("CCB"). Central Huijin Investment Ltd. ("Central Huijin") holds 35% of ICBC and 57.31% of CCB respectively. By virtue of the SFO, Central Huijin is deemed to be interested in a total of 136,103,831 Shares owned by ICBCI and Glory Spring.

PUBLIC FLOAT

Based on the information publicly available to the Company and as far as the Directors are aware as at the date of this report, at least 25% of the total issued share capital of the Company is held by the public pursuant to the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The customer base of the Group mainly consists of hospitals and other healthcare institutions, local governments, and educational and other public institutions. Customers of the Group also include medical equipment supplier for whom the Group acts as exclusive sales agent and provides equipment in-licensing services. Suppliers of the Group primarily consist of financial institutions that provide the Group with loan facilities and other forms of financing and medical equipment suppliers.

The information of the customers and suppliers is as follows:

	Percentage of the total income (before business taxes and surcharges) for the year ended 31 December 2016
Five largest customers	9.15%
The largest customer	3.38%

	Percentage of total cost of sales for the year ended 31 December 2016
Five largest suppliers	43.17%
The largest supplier	13.62%

As far as the Directors are aware, none of the Directors, their close associates or shareholders holding more than 5% shares of the Company had any interest in the five largest customers or five largest suppliers of the Group.

EMPLOYEES

As at 31 December 2016, the Group has a total of 536 employees, including 486 full-time employees, 38 dispatched employees and 12 project workers. Most of employees of the Group are located in Beijing.

For the year ended 31 December 2016, the Group did not experience any strikes or significant labor disputes which materially affected the operation of the Group. The Group maintained good relationship with its employees.

CONTINUING CONNECTED TRANSACTIONS

The Group entered into certain continuing connected transactions with GT-PRC and its associates, as defined in the Listing Rules, which are subject to the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Group has complied with the pricing policy of the Group in respect of the continuing connected transactions for the year ended 31 December 2016.

GT-PRC holds approximately 37.73% of the total issued Shares through its wholly-owned subsidiaries and is the controlling shareholder of the Company. Therefore, GT-PRC and its associates constitute connected persons of the Company.

Advisory Service Purchase Framework Agreement

The Company entered into an advisory service purchase framework agreement ("Advisory Service Purchase Framework Agreement") with GT-PRC on 10 June 2015, pursuant to which the Company and/or its subsidiaries shall purchase advisory services from GT-PRC and/or its associates. The Advisory Service Purchase Framework Agreement commenced from the Listing Date until 31 December 2017 and may be renewed by mutual consent.

The Company entered into the above agreement due to that GT-PRC has established companies or representative offices in various countries in Europe and Americas, including Germany, Italy and the United States. The associates of GT-PRC are relatively familiar with the local markets in these countries and have maintained good cooperative relationship with the local medical device manufacturers and hospitals. Meanwhile, GT-PRC also has a large customer base and extensive sales networks in the domestic market. By leveraging the resources and experience of GT-PRC and its associates in both domestic and international markets, the Company can better develop its businesses.

For the three years ending 31 December 2015, 2016 and 2017, the original total advisory service fees payable by the Group to GT-PRC and/or its associates were not expected to exceed RMB0.8 million, RMB1.0 million and RMB1.2 million, respectively. Pursuant to the announcement of the Company dated 20 November 2015, the original annual caps has been revised to RMB2.8 million, RMB3.5 million and RMB4.2 million for the three years ending 31 December 2015, 2016 and 2017, respectively ("Revised Annual Caps"). The Revised Annual Caps are based on the following factors: (i) our strategic goal to develop as an integrated healthcare services provider; (ii) we plan to continue using the abundant overseas network resources of GT-PRC; and (iii) we plan to continue utilising the client and local resources of GT-PRC and its associates in the domestic market. For the year ended 31 December 2016, the actual transaction amount under the Advisory Service Purchase Framework Agreement has not exceeded the Revised Annual Caps.

Please refer to the Prospectus and the announcement of the Company dated 20 November 2015 relating to this transaction.

Property Lease Framework Agreement

The Company entered into a property lease framework agreement ("Property Lease Framework Agreement") with GT-PRC on June 10, 2015, pursuant to which the Company and/or its subsidiaries shall lease properties from GT-PRC and/or its associates for office and warehousing purposes. The Property Lease Framework Agreement commenced from the Listing Date until 31 December 2017 and may be renewed by mutual consent.

The Company entered into the above agreement due to that it has been leasing certain properties from GT-PRC and/or its associates for office and warehousing purposes. Compared to independent third parties, GT-PRC and its associates (especially Genertec Real Estate Management Co., Ltd. (通用技術集團物業管理有限公司), as a professional property management company affiliated to GT-PRC) have a better understanding of the Company's requirements for office and warehousing properties. In addition, relocating the offices or warehouses of the Company to other premises will also incur unnecessary expenses.

For the three years ending 31 December 2015, 2016 and 2017, total rental payable by the Group to GT-PRC and/or its associates is not expected to exceed RMB20.0 million, RMB24.0 million and RMB28.0 million, respectively. The above annual cap is based on the following factors: (i) the total property area leased by our Group from GT-PRC and its associates as of 31 December 2014; (ii) the unit rental stipulated in individual property lease agreements between the Group and GT-PRC or its associates, which is normally adjusted by GT-PRC and its associates on an annual basis with reference to prevailing market conditions. The Company estimates that the unit rental will increase around 10% annually based on the past rental increase made by GT-PRC and its associates and expected market rental change of local properties with a similar scale and quality; and (iii) the Company plans to establish a new technology information service subsidiary and develop healthcare digitalization services, which require, among other things, recruiting more employees. In addition, the Company also needs to recruit more employees to support the expansion of our existing business. We expect that the total number of our employees will grow at an average rate from 20% to 30% during 2015 to 2017. Therefore, we expect that our demand for office premises will increase at the same rate. For the year ended 31 December 2016, the actual transaction amount under the Property Lease Framework Agreement has not exceeded the annual cap.

Please refer to the Prospectus relating to this transaction.

Advisory Service Provision Framework Agreement

The Company entered into an advisory service provision framework agreement ("Advisory Service Provision Framework Agreement") with GT-PRC on 10 June 2015, pursuant to which the Company and/or its subsidiaries shall provide advisory services to GT-PRC and/or its associates. The Advisory Service Provision Framework Agreement commenced from the Listing Date until 31 December 2017 and may be renewed by mutual consent.

The Company entered into the above agreement due to that it is an integrated healthcare services provider offering a variety of solutions, including healthcare industry, equipment and financing advisory services, and clinical department upgrade services. The Company has a large customer base in the healthcare industry and has a team comprising internal and external industry experts. In the ordinary course of business of the Company, GT-PRC and its associates need to cooperate with the Company to broaden their customer base, develop new business opportunities and obtain financing and technical support.

For the three years ending 31 December 2015, 2016 and 2017, total advisory service fees payable to the Group from GT-PRC and/or its associates are not expected to exceed RMB2.0 million, RMB2.3 million and RMB2.8 million, respectively. The above annual cap is based on the following factors: (i) the historical transaction amounts charged by the Company for advisory service fees from GT-PRC and its associates; (ii) the Company expects GT-PRC and its associates will maintain their demand for consultation services based on the average historical amount for the three years ended 31 December 2014 and there will also be a modest increase at a rate of around 15% during 2015 to 2017; (iii) the Company continues to expand its service scope pertaining to its integrated healthcare solutions, which will broaden the scope of services that the Company is able to provide to GT-PRC and its associates; and (iv) the estimated increase in fee charged for these services due to inflation and expected cost increase. For the year ended 31 December 2016, the actual transaction amount under the Advisory Service Provision Framework Agreement has not exceeded the annual cap.

Please refer to the Prospectus relating to this transaction.

Product Procurement Framework Agreement

The Company entered into a product procurement framework agreement ("Product Procurement Framework Agreement") with GT-PRC on 10 June 2015, pursuant to which the Company and/or its subsidiaries shall purchase relevant products and ancillary services from GT-PRC and/or its associates. The Product Procurement Framework Agreement commenced from the Listing Date until 31 December 2017 and may be renewed by mutual consent.

The Company entered into the above agreement due to that GT-PRC and its associates have abundant business resources and extensive experience in integrating and introducing international advanced technology and major equipment. All import and export companies under GT-PRC are large state-owned enterprises engaged in the importation of equipment and instruments in the PRC. The Company has maintained a long-term cooperative relationship with GT-PRC and its associates. Leveraging on such cooperative relationship, the Company believes continuing to procure products from GT-PRC and its associates is more efficient and can better satisfy the need of the Company for providing customized services to its customers. In addition, equipment manufacturing companies under GT-PRC are also leading manufacturers in their respective sectors. The Company procured products from these companies from time to time to satisfy the needs of its non-healthcare industry customers.

For the three years ending 31 December 2015, 2016 and 2017, the total amount payable by our Group for product procurement from GT-PRC and/or its associates is not expected to exceed RMB25.0 million, RMB30.0 million and RMB36.0 million, respectively. The above annual cap is based on the following factors: (i) the historical transaction amounts for the procurement of equipment and devices by us from GT-PRC and its associates. The Company expects to maintain the level of its procurement demand based on the average historical amount for the three years ended 31 December 2014; (ii) the Company plans to continue to optimize its CVA project solutions and develop other clinical department upgrade services to help hospitals in the PRC establish, modernize and upgrade their clinical department capabilities in medical areas with high and growing demand, which will in turn result in its growing demand for the procurement of medical devices and instruments; and (iii) the expected increase in the production or trade costs of relevant products with reference to the general growth trend in healthcare industry. For the year ended 31 December 2016, the actual transaction amount under the Product Procurement Framework Agreement has not exceeded the annual cap.

Please refer to the Prospectus relating to this transaction.

Product Sales Framework Agreement

The Company entered into a product sales framework agreement ("Product Sales Framework Agreement") with GT-PRC on 10 June 2015, pursuant to which the Company and/or its subsidiaries shall sell exclusively distributed medical devices and proprietary hospital information management systems to GT-PRC and/or its associates. The Product Sales Framework Agreement commenced from the Listing Date until 31 December 2017 and may be renewed by mutual consent.

The Company entered into the above agreement due to that as at 30 June 2015, the Company is the exclusive sales agent in China for 19 medical equipment product categories covering a total of 194 medical equipment product models. The associates of GT-PRC purchase these exclusively distributed medical devices from the Company in the ordinary course of business from time to time. Since the Company owns the exclusive sales agency right for these medical devices in China, the Company expects the associates of GT-PRC will continue to purchase these medical devices from it. In addition, the Company plans to develop healthcare digitalization services and develop and sell its proprietary hospital information management systems. The Company expects that the associates of GT-PRC will need to purchase hospital information management systems from it.

For the three years ending 31 December 2015, 2016 and 2017, total amount of purchases receivable by the Group from GT-PRC and/or its associates is not expected to exceed RMB15.5 million, RMB22.1 million and RMB31.7 million, respectively. The above annual cap is based on the following factors: (i) the historical transaction amount of medical devices sold by the Company to GT-PRC and its associates and its percentage represented in our product sales income, which amounted to approximately 50% on average for the three years ended 31 December 2014. We expect to maintain such level of percentage ratio during 2015 to 2017; (ii) the Company plans to continue to strengthen its global medical equipment in-licensing capability. As of 31 December 2014, the Company had 184 CFDA registrations filed. Thus, the Company expects it will be able to offer more types of medical equipment to expand sales; and (iii) the Company plans to develop healthcare digitalization services and develop and sell proprietary hospital information management system, which will enlarge the range of products the Company is able to provide. The Company believes the expected expansion of its product portfolio will contribute to the rapid increase in its product sales income. For the year ended 31 December 2016, the actual transaction amount under the Product Sales Framework Agreement has not exceeded the annual cap.

Please refer to the Prospectus relating to this transaction.

Finance Lease Framework Agreement

The Company entered into a finance lease framework agreement ("Finance Lease Framework Agreement") with GT-PRC on 10 June 2015, pursuant to which the Company and/or its subsidiaries shall provide finance lease services to GT-PRC and/or its associates. The Finance Lease Framework Agreement commenced from the Listing Date until 31 December 2017 and may be renewed by mutual consent.

The Company entered into the above agreement due to that it provides finance lease services in respect of various equipment and devices such as medical devices, educational devices and machineries. Associates of GT-PRC seek finance lease services from the Company from time to time in their ordinary course of business to support their business development. Since the Company is able to provide customized finance lease service to customers, and is familiar with finance lease requirements of GT-PRC and its associates, the Company expects that GT-PRC and its associates will continue to seek finance lease services from it.

For the three years ending 31 December 2015, 2016 and 2017, the total amount of lease principal to be provided by the Group to GT-PRC and/or its associates is not expected to exceed RMB53.0 million, RMB63.6 million and RMB76.3 million, respectively, and the total amount of lease interest to be received is not expected to exceed RMB4.1 million, RMB4.9 million and RMB5.9 million, respectively. The above annual cap is based on the following factors: (i) the historical transaction amount of finance lease services provided by the Company to GT-PRC and its associates. The Company estimates the finance lease demand from GT-PRC and its associates will remain at the same level based on the average lease principal for the three years ended 31 December 2014 and will increase at a rate of around 20% from 2015 to 2017 taking into account the general trend in macroeconomic conditions and the new developments in machinery industry; (ii) the existing finance lease contractual arrangement of the Company with GT-PRC and its associates; and (iii) the expected changes in the financing cost of the Company. The Company expects to maintain the level of its lease interest rate notwithstanding the reductions in the benchmark lending interest in 2016 by means of charging risk premium, negotiating fixed lease interest rate or using its enhanced pricing power. For the year ended 31 December 2016, the actual transaction amount under the Finance Lease Framework Agreement has not exceeded the annual cap.

Please refer to the Prospectus relating to this transaction.

Deposit and Intermediary Business Service Framework Agreement

The Company entered into a deposit and intermediary business service framework agreement ("Deposit and Intermediary Business Service Framework Agreement") with GT-PRC Finance on 10 June 2015, pursuant to which GT-PRC Finance shall provide deposit and intermediary business services to the Group. The Deposit and Intermediary Business Service Framework Agreement commenced from the Listing Date until 31 December 2017 and may be renewed by mutual consent.

The Company entered into the above agreement due to that GT-PRC Finance is a non-bank financial institution approved and regulated by the PBOC and the CBRC. Its objectives are to strengthen centralized management of corporate group funds and increase utilization efficiency. The Company uses GT-PRC Finance as a fund management platform to help centralize management and more efficiently allocate funds. Since GT-PRC Finance only provides financial services to member companies of GT-PRC, it has acquired in-depth knowledge about the Company over the years and good understanding on its capital structure, business operation, capital requirements and modes of cash flows, so as to anticipate its business needs and provide customized services for the Company. Moreover, entering into the Deposit and Intermediary Business Service Framework Agreement will not prevent the Group from using financial services from independent commercial banks in China. The Group may still select at our own discretion independent commercial banks in China to act as our financial service provider as we deem fit and in the interest of the Group.

For the year ended 31 December 2015 and the period from 1 January 2016 to 7 June 2016 (the date of the Company's first annual general meeting after the Listing), the daily maximum deposit (including accrued interest) of the Group to be placed with GT-PRC Finance is not expected to exceed RMB1,689.0 million and RMB2,413.5 million, respectively, and the total service fees for intermediary business services payable by us to GT-PRC Finance are not expected to exceed RMB0.23 million and RMB0.14 million, respectively. For the period from 8 June 2016 to 31 December 2016 and the year ending 31 December 2017, the daily maximum deposit (including accrued interest) of the Group to be placed with GT-PRC Finance is not expected to exceed RMB1,700.0 million and RMB1,900.0 million, respectively, and the total service fees for intermediary business services payable by us to GT-PRC Finance are not expected to exceed RMB0.30 million and RMB0.50 million, respectively.

The above proposed daily maximum deposit (including accrued interest) is based on: (i) the Group's daily maximum deposits with GT-PRC Finance for the three years ended 31 December 2015; (ii) the expected increase in cash flows from the Group's business development; (iii) the expected increase in cash flows from the Group's financing activities, including debt financing. The Company is seeking to diversify its funding source. In 2015, the Group issued domestic short-time financing bonds with a total principal amount of RMB900 million and domestic medium-term financing bills with a total principal amount of RMB900 million, and transferred educational and leasing receivables with a total principal amount of RMB540 million. The Group may deposit part or all of the proceeds from the Group's diversified financing activities with GT-PRC Finance for temporary cash management; and (iv) the percentage of cash and cash equivalents in total assets of the Group in the three years ended 31 December 2015. The above annual caps on fees for intermediary business services are based on: (i) the service fee paid by the Group to GT-PRC Finance in the three years ended 31 December 2015; and (ii) the expected increase in demand for intermediary business service as a result of the Group's business expansion. For the year ended 31 December 2016, the actual transaction amount under the Deposit and Intermediary Business Service Framework Agreement has not exceeded the annual cap.

Please refer to the Prospectus and the announcement dated 29 March 2016 relating to this transaction.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2016, certain related parties entered into transactions with the Group which are disclosed in Note 31 "Related Party Transactions" to the consolidated financial statements of the Company. Save as disclosed in the section headed "Continuing Connected Transactions", the Board confirmed that none of these related party transactions constitutes a disclosable connected transaction as defined under the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive Directors, who confirmed that the aforesaid continuing connected transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONFIRMATION OF THE AUDITORS

The auditors of the Company have been engaged to report on the above connected transactions of the Company in accordance Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from the auditors of the Company in accordance with Rule 14A.56 of the Listing Rules containing the auditors' findings and conclusion on the above continuing connected transactions of the Group, stating that the auditors have not noticed anything that causes them to believe that any of these continuing connected transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group for the connected transactions involving the provision of goods or services by the Group;

(c) were not entered into in accordance with the relevant agreements governing such continuing connected transactions in all material aspects; and

(d) have exceeded the relevant annual caps for the financial year ended 31 December 2016.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Stock Exchange on 8 July 2015 and the over-allotment was completed on 5 August 2015. We received net proceeds (after deduction of underwriting commission and related costs and expenses) from the global offering of approximately HK$3,527 million. As at 31 December 2016, we have partially utilized such proceeds in accordance with the use of proceeds as disclosed in the Prospectus. Detailed information is set out under "Capital Expenditure" in the section headed "Management Discussion and Analysis" on page 41 of this annual report.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules. It comprises three members, including Mr. Li Yinquan (chairman), Mr. Chow Siu Lui and Mr. Liu Xiaoping, among whom, Mr. Li Yinquan and Mr. Chow Siu Lui are independent non-executive Directors (including one independent non-executive director who owns appropriate professional qualifications or expertise in accounting or relevant finance management).

The Audit Committee has discussed with the management and reviewed this annual report and the financial results of the Group for the year ended 31 December 2016. It also discussed with the management and reviewed the financial controls, risk management and internal control system of the Company.

The consolidated financial statements of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2016 have been audited by Ernst & Young, the auditor of the Company.

AUDITOR

The Company reappointed Ernst & Young as the auditor of the Group in 2016. The Company has not changed the appointment of the auditor in the past 3 years. The proposal of re-appointing Ernst & Young as the auditor of the Company will be put forward at the AGM for consideration and approval of the shareholders.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2016, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company in all material respects.

THE PUBLICATION OF THE ANNUAL REPORT

This annual report, in both English and Chinese versions, is available on the Company's website at www.universalmsm.com and the website of the Stock Exchange at www.hkexnews.hk.

Shareholders who have chosen or have been deemed consent to receive the corporate communications of the Company via the Company's website, and who for any reason have difficulty in receiving or gaining access to the corporate communications posted on the Company's website will promptly upon request be sent the annual report in printed form free of charge. Shareholders may at any time change their choice of the means of receipt and language(s) of corporate communications.

Shareholders may request for printed copy of the annual report or change their choice of means of receipt and language of the corporate communications by sending at least a 7-day notice in writing to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or by sending an email to unimedical.ecom@computershare.com.hk.

On behalf of the Board

Guo Weiping
Executive Director

Hong Kong, 28 March 2017

1 RESPONSIBILITY PHILOSOPHY

1.1 Responsibility Philosophy

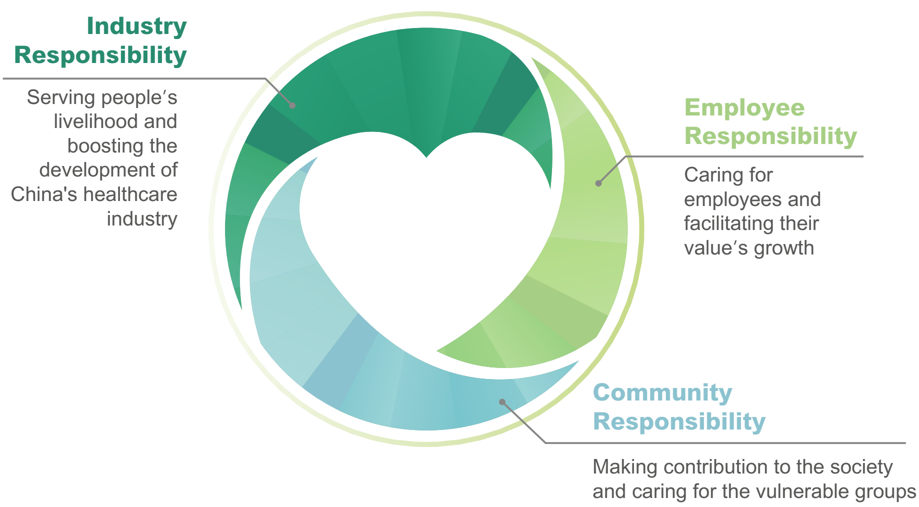
The Group is currently a leading integrated healthcare services provider in China, focusing on the fast-growing healthcare service industry in China and leveraging on our strong medical resources platform to provide customers with integrated healthcare solutions, which comprise medical financial services, hospital investment and management services, medical technology services and healthcare digitalization services.

Following industry practice, the Group strives to establish a comprehensive medical service system, which embed the philosophy of patient-orientation, seasoned medical team, high-tech methods, high-efficiency management and upheld by highly specialized treatment. We strive to build an international advanced network of medical services and facilitate the combining of medical services and elderly care services.

Philosophy of Environmental, Society and Governance

Pursuing innovations, serving the public and promoting harmonious and sustainable economic, social and environmental development are our core corporate social responsibilities. Through providing the public with advanced integrated medical services, the Group continues to improve public health, fulfill responsibility towards our employees, clients, investors, society and all stakeholders, and promote social progress and human welfare.

The Group has been enhancing its performances take industry responsibility, employee responsibility and community responsibility. These aspects are intertwined and mutually supportive, facilitating the Group's sustainable development.



1.2 Philosophy Interpretation

1.2.1 Industry Responsibility

Over the years, the Group has been committed to corporate citizenship, targeting at serving people's livelihood and boosting the development of China's healthcare industry. We fulfill the social and economic responsibility, and unswervingly devote to the development of social public welfare undertakings and the Group has made positive contribution to public service fields including medical and healthcare.

1.2.2 Employee Responsibility

The Group has been always adhering to "people-centered" principle, and focusing on employee's career prospects and personal advancement, devoted to creating an inclusive, fair, mutual trust and cooperative working environment, providing a platform for employees to show their talents. The Group has established employee-friendly systems which respects employee's value to the full extent and the Group also launched mature career development plan, guaranteeing the talent growth and quality improvement by fair-competition recruitment.

1.2.3 Community Responsibility

While making economic gains, the Group is actively making contribution to the society amd caring the vulnerable group. The Group promotes harmonious development between enterprises and society by multiple ways, such as planting trees, donating for education, helping the poor and serving as volunteers.

1.3 Stakeholder Engagement and Communication

The Group created multiple communication channels for its investors, employees, clients, suppliers, distributors and regulators to enhance their understanding and effective supervision upon our operation. Accordingly, the Group could be more proactive and effective in responding issues concerned by stakeholders. During the year, the Group has strengthened close communication with its investors, clients, employees, government and regulators, partners, community and public via multiple channels, e.g. general meeting, business releases and announcements, investors receptions and questionnaires.

With regard to the investor relations, the Group kept close relationship with investors and strengthened the frequency of communication and investor relation matters over the reporting period. Conference calls, teleconference of groups, one-one meetings, press conferences, investors conferences were adopted by us to enhance our communication with investors. With more than a hundred conference calls held and 500 investors or institutions met with the Group, multiple channels interaction between the Group, investors and institutions were guaranteed, which made it more accessible for the Group to understand investors demands, follow market dynamics and hot issues, report to senior management and provide feedbacks promptly. On the other hand, the frequent and multi-layer communications helped the Group in increasing exposure to the capital market and recognition from investors.

Major issues concerned by stakeholders and corresponding responses

Stakeholders	Major issues	Channels for communication	Responses
Shareholders/ Investors	Corporate governance and strategies Sustainability Returns on investment Prompt information disclosure Regulatory compliance	General meeting Business releases and announcements Financial reports Roadshow Enquiry via telephone and email	Issue notices and proposals on General Meeting according to the regulations Disclose corporate information on schedule Disclose announcements and release reports regularly according to the regulations Create communication channel
Clients	Service quality Client information protection Value on service	Customer research After-sale service and complaints Visit customers regularly	Conduct customer survey Enhance service management Handle complaints and other after-sale problems timely
Employees	Remuneration package Training and development Working environment Corporate operation	Labour union Employee training Employee activities	Build a fair promotion system Organize employee training and activities Foster a healthy and safe working environment
Government and regulators	Pay tax according to laws Prompt and standard information disclosure Regulatory norms Resource-saving	Institution investigation Report on the work Information disclosure	Abide by laws and regulations strictly True and accurate information disclosure Legitimate operation Routine governmental inspection

Stakeholders	Major issues	Channels for communication	Responses
Suppliers	Fulfillment of contract obligations on schedule Long-term stable cooperation Corporate credibility and reputation	Trade fair Communications	Fulfillment of contract obligations Sustain long-term partnership with preeminent suppliers Full payment on time
Community and public	Social welfare and community development Environment protection Eco-environment protection Business ethics	Community/ charitable activities Social-programs-supported activities	Hold community charitable and academic exchange activities
Partners/ distributors	Corporate governance and strategies Sustainability Prompt information disclosure Regulatory compliance	Business releases and announcements Financial reports Distributor conferences Communications	Disclose corporate information on schedule Disclose announcements and release reports regularly according to the regulations Create communication channel

On the basis of the above-mentioned issues, the Group also refers to the industry peer information disclosure and standards such as the Environmental, Social and Governance Reporting Guide to analyze and identify the essential issues on environment and social responsibility covered in this report. In the future, the Group will continue to assess and evaluate related issues, deepen and extend research and study upon stakeholders to intensify and specify disclosure information.

2 SOCIAL

2.1 Employment and labour practices

2.1.1 Employment

Our employees

The Group abides by Labour Law of the PRC, Employment Promotion Law of the PRC, Labor Contract Law of the PRC, Payment of Wages Tentative Provisions, Regulations on Management of Housing Provident Fund, Regulations on Paid Annual Leave of the Employees, Labor Dispute Mediation and Arbitration Law of the PRC, Regulation on Work-Related Injury Insurances and local decree and regulation in recruitment and employee wage payment scaling in the PRC. The Group is dedicated to fulfilling its corporate obligations and social responsibilities, paying the social insurances (including endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance) and housing provident fund for employees in accordance with applicable laws and regulation.

The Group's recruitment complies with Administrative Measures for Recruitment of Universal Medical. The Group strictly conforms to standard procedures in plan formulation, recruitment standard setting, interview, written test, appointments, probation feedback and assessment, assuring procedural justice and detailed management. All candidates are recruited on a fair basis, irrespective of gender in terms of recruitment, promotion and remuneration package.

Apart from statutory benefits, the Group continues to implement long-term plans for talent incentive mechanism, improve and optimize welfare policies and endowment insurance scheme and fund pensions for employees. Meanwhile, the Group initiated employee supplementary insurance plan on the basis of its corporate performance and annual check-up regularly for employees to relieve their burden of medical care.

Regarding working hour and leave, the Group complies with Labour Law of the PRC, local decrees, regulations and practices, promulgating Administrative Measures for Employees Attendance, Leave and Annual Leave and Regulation on Paid Annual Leave of the Employees to make sure rights and responsibilities are clearly stated and employees' lawful rights of rest and annual leave are safeguarded. No violation of regulations arose during the reporting period. In respect of promotion, the Group is committed to assisting employees plan their career, establishing a scientific and standardized evaluation system, selecting talents in a fair, impartial and transparent way, and creating a harmonious and stable environment for employees that could better exploit their talents.

The Group's business covers all over the country, not only attracting talents from a variety of provinces, municipals and autonomous regions, but also encouraging internal exchange and communication to foster cultural diversity and cohesion within the Group. The Group takes pride in its well-structured workforce with a balanced proportion of different sectors and posts. To fully undertake its social responsibility, the Group creates jobs open to public equally and offers opportunities for veterans.

The Group formulated Regulations on Employee Leave Management on the basis of Labour Law of the PRC and Labor Dispute Mediation and Arbitration Law of the PRC to safeguard their legitimate rights, secure the safety of corporate information and files, standardize procedures of employee leave and reduce labour disputes. The Regulation standardizes procedures on different types of leave and protection measures for involved parties. Currently, the Regulations are not violated.

As at the end of the year, the Group registered a total of 536 employees, of them, the percentage of male and female were 57% and 43% respectively, and the Group attracted 105 fresh graduates, with male and female accounting for 56% and 44% respectively.

2.1.2Health and safety

The Group abides by Labour Law of the PRC, Fire Protection Law of the PRC, Occupation Health Safety Management System, Special Rules on the Labor Protection of Female Employees, Measures for the Determination of Work-related Injuries and Regulation on Work-Related Injury Insurances. The Group's commitments are reflected in a number of health and safety measures, provision of a comfortable, safe and healthy working environment and effective adoption of emergency measures to address potential risks. There were no work-related fatalities or reported lost days due to work-related injuries during the reporting period. The measures implemented by the Group include the following:

- The Group leases office buildings as its workplace and we coordinate with the property company of the office building and observe Provisions on the Administration of Fire Control Safety. And the Group has issued Emergency Evacuation Plans for Potential Incidents to provide guidance in case of emergencies, e.g. when fire alarmed, the Group is able to evacuate employees in an organized way to minimize damage and losses.

- The Group organizes safety education and training for new recruits to raise their safety awareness and facilitate the abilities of handling emergencies.

- The Group put the comprehensive ban on smoking in workplaces into effect, arrange air conditioning cleaning and sterilize among office buildings regularly.

During the reporting period, the Group conducted drills on firefighting and safety twice, emergency drills twice and safety check twice.

Training on safety education

2.1.3Development and Training

To improve employees' comprehensive qualities and expertise, the Group made two shifts in idea during the training of 2016 and achieved the goal among three targeted groups.

Firstly, the Group enriched the concept of training into nurturing and placed more emphasis on comprehensive quality enhancement rather than learning outcomes only, aiming at realizing a win-win situation between company development and employee advancement. In training, all-round competitiveness and mobility are attached importance and mastery of knowledge and perfection of skills are priority. For instance, we intensified induction training courses and adhered to tutor-system for training new recruits. Overall, 10 drills, altogether 11,696 class hours were held with over 100 participants.

Secondly, the Group evaluated employees' talents and personalities and combined strategic plans with vacancies to clarify the orientation and identify priorities. In line with the customized growing demand for backup cadres, the Group deepened training projects of backup middle management to upgrade their post competency, which are closely centered on systematic approaches to tackling differentiated issues. Leveraging on collective wisdoms and advanced technologies, they were able to clarify problems regarding work performances, get hold of solutions and work out a practical plan. When coordinated with their supervisors' help and supervision, the plans were implemented effectively with immediately effect. The training project had 31 participants, enhanced communication and pioneered the training to improve comprehensive quality of backup talents.

Training camp for backup talents

Lastly, employees of multi-level were covered in the whole-year training projects. Methods such as e-learning, lectures, intensive training were employed to upgrade vocational skills of entry-level staff. Targeted trainings were developed in order to build managerial skills among middle-level staff. Activities like industry exchange, information services and reading were adopted to broaden their horizon and inspire their leadership among senior management. A total of 66 drills, altogether 20,557 class hours were implemented with 762 participants, making contribution to penetration of strategy plans and construction of talent pools.

2.1.4 Labour Standards

The Group mandates open selection through standardized procedures and inspected candidates' personal information. The termination of a labor contract with employees is subject to the principle of equality and free will, in compliance with Labour Law of the PRC, Law of the PRC on the Protection of Minors and Provisions on the Prohibition of Using Child Labor. The Group also monitors recruitment-related information and data to assure there is no child labour or compulsory labour.

2.2 Operating Practices

2.2.1 Supply Chain Management

The Group's suppliers are mainly financial institutions and medical equipment suppliers that provide loan financing and other forms of financing, law firms, consulting companies, auditing companies, and hardware and software suppliers. Given the broad scope of business, the Group therefore endeavours to select qualified, legitimate, well-performing and prestigious suppliers in accordance with local laws and regulations.

2.2.2 Product Liability

As a medical service supplier, the Group conforms to Product Quality Law of the PRC, Fire Protection Law of the PRC, Trademark Law of the PRC, Regulation for the Implementation of the Trademark Law of the PRC, Measures for the Administration of Medical Advertisements, Patent Law of the PRC, Detailed Rules for the Implementation of the Patent Law of the PRC, Anti-Unfair Competition Law of the PRC, and Several Provisions on Prohibiting Infringements upon Trade Secrets to perfect managerial mechanism and create more value for clients through its high-quality and all-round integrated medical solutions. Over the reporting year, the Group had zero complaints in regard to the quality of product and service.

As to the Group's major clients who are hospitals, it is crucial to secure their information and privacy. Measures taken by the Group for protecting client information security and safeguarding privacy are as follows:

- The information system served for client data storage is concentrated in the Group's central server room, equipped with Fingerprint/Keypad Lock, along with assigned officers patrolling every day.

- For updated information systems, the background management system is required to separate admin privileges of system administrators to ensure authorized rights management.

- To guarantee the operation and maintenance of central server room in stable, safe and sound information system operation, the Group formulated Measures for the Administration of Central Server Room based on our practice.

- The department of central server room management backs up substantial data and system logs regularly according to the backup requirements, and inspects and maintains backup storage devices daily to ensure the functioning of backup storage system.

2.2.3Anti-Corruption

The Group places great emphasis on corporate institutional improvement, especially anti-corruption. During the reporting period, the Group abided by Criminal Law of the PRC, Criminal Procedure Law of the PRC, Interpretation of the Supreme People's Court on the Application of the Civil Procedure Law of the PRC, Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues concerning the Application of Law in the Handling of Criminal Cases of Embezzlement and Bribery, Anti-Money Laundering Law of the PRC and other anti-corruption, anti-racketeering and counter-fraud, anti-money laundering laws and regulations.

The Group enforces corporate discipline, strengthens professional ethics and standardizes corporate structure in accordance with the aforementioned laws and regulations, incorporating the foster of ethics among staff into the management of the company. To strengthen internal management, bring mutual supervision into full play, prevent and punish varied violations of laws, regulations and disciplines and boost sound and sustainable development, the Group issued Interim Measures on the Corporate Reporting to further establish reporting procedure and facilitate the orderly operation of reporting in accordance with laws and regulations.


Anti-corruption education

On 21 October 2016, the Group's staff were organized to visit China National Film Museum for an anti-corruption educational exhibition. With constructing anti-graft and clean governance education, fostering sense of integrity and discipline and increasing their ability of the Group staff to resist corruption and prevent degeneration, the Group further built corporate culture, particularly integrity culture.

The Group launched anti-corruption education from July to December 2016 by collectively studying anti-corruption laws and regulations to further raise staff awareness on integrity.

2.2.4Community

The Group is committed to fostering harmonious and common prosperous relationship with the community in which it operates by engaging in community activities to gain a better understanding of community needs and fully undertaking corporate social responsibility. At the same time, by enthusiastically contributing to the society and proactively participating in philanthropic and voluntary work, we are committed to supporting and facilitating the development of community to the full extent.

Over the reporting period, the Group actively engaged in the U.S. – China Health Summit and Hemodynamic Monitoring Conference, organized Stroke Conference and established Universal Medical Elite Scholarship.

The 6th U.S – China Health Summit

The 6th U.S – China Health Summit, sponsored by the Company, celebrated its grand opening on 2 September 2016 in Xi'an, an historic city in China. Themed on "Health for All Through Innovation", the summit attracted over 1,600 experts from academia, research and politics areas to share their experience and discuss solutions of fields such as public health, healthcare reform, hospital management, urban health management and strokes.

"China – U.S. Stroke Prevention and Control", the 5th of the 8 sub-forums was sponsored by Universal Medical. The Company invited many renowned stroke experts both at home and abroad to discuss stroke prevention and control system, tele-medicine, digitalization construction and etc. Mr. Bruce Ovbiagele, Chairman of World Stroke Congress and Mr. Wang Jinhuan, the director of Administration and Guidance Committee of China Stroke Center were specially invited to co-host the forum. Mr. Wang Longde, Academician of CAE and deputy director of Stroke Screening and Prevention Project Committee, National Health and Family Planning Commission, PRC, Dr. David Alexander from UCLA Medical Center and other reputed medical experts also attended the forum. Stroke prevention, the main topic of the previous summits, is also the focus of the summit discussions. China, a populous country, has death caused by chronic non-communicable diseases already accounting for 85% of the national total deaths and relevant disease burden accounting for 70% of the total disease burden. The Company launched a project to promote the stroke project as early as 2011 and has established cooperative relationships with over a hundred regional hospitals and four benchmark hospitals. The service model of stroke department upgrade was also extended to multiple disciplines and further into the hospital investment management business, so as to achieve greater scale economies. Leveraging on its abundant healthcare resources to actively build a domestic platform for stroke prevention, the Company has been an important partner of every U.S. – China Health Summit.

The 6th U.S. – China Health Summit

Stroke Prevention and Treatment Project

The Company initiated a stroke prevention and treatment project, co-hosted by Wu'an First People's Hospital in July 2016. Leveraging on Stroke Diagnosis, Prevention and Treatment in primary hospitals, the Group continues to work closely with Sino-US Stroke Group since 2010 to provide solutions to equipment introduction, technical exchange, clinical training and financial support for hospitals at all levels across the country, hoping that the status quo of lags behind developed countries in terms of stroke screening, diagnosis prevention and treatment could be improved fundamentally and patients could be treated in an accurate and effective way.

Through the launch of the project, the Group could enhance the awareness and control of potential stroke among citizens in Wu'an and reduce the occurrence, reoccurrence, mortality and disability, ensuring the improvement of people's health and life standards.

Signing Ceremony on Stroke Prevention and Treatment Project

2016 Conference on Clinical Application of Pulse Indicator Continuous Cardiac Output Monitoring in Beijing

The Conference on Clinical Application of Pulse Indicator Continuous Cardiac Output Monitoring in Beijing held at the Changiang Hall of the Presidential Hotel Beijing. Hosted by Professor Wang Tianlong, the Director of Anesthesiology of Xuanwu Hospital Capital Medical University, Professor Sabino Scolletta, Dean of Graduate Studies in Anesthesia and Intensive Care in Università degli Studi di Siena, Professor Ouyang Chuan from Anesthesiology of Beijing Anzhen Hospital, and Fan Ting, the Director of Anesthesiology of Second Hospital of Tsinghua University, were invited to deliver enlightening speeches. And more than 40 experts in Anesthesiology and ICU from over 20 hospitals in Beijing, Tianjin, Shanghai and Henan attended the conference.

The experts carried out in-depth discussions on advancement and clinical research in pulse indicator continuous cardiac output monitoring. The conference served as a platform for effective communication among experts and scholars, especially the international exchange with Professor Sabino and high-end communication with Professor Wang Tianlong, fostering the exchange and peer learning on cutting-edge knowledge and up-to-date philosophy.


Conference on Clinical Application of Pulse Indicator Continuous Cardiac Output Monitoring in Beijing

3 ENVIRONMENTAL ASPECTS

3.1 Emissions

The Group's business and governance conform to Constitution of the PRC, Environmental Protection Law of the PRC, Law of the PRC on Appraising of Environment Impacts, Law of the PRC on Conserving Energy and Regulation on Environmental Impact Assessment of Planning.

During the reporting period, the main source of emissions was gasoline consumption. To promote scientific management on Company's vehicles and drivers, guarantee reasonable and safe use of vehicles and in line with the principle of easy management, cost saving and quality service, the Group devised Measures of on Management of Motor Vehicles and Drivers. The Measures aim at controlling the emission sources, e.g. vehicle acquisition, vehicle usage, vehicle drivers management and vehicle maintenance and repair.

In compliance with the latest revised Measures, the Group achieved reduction of gasoline consumption and energy conservation, consuming a total of 10.666 tonnes of gasoline, a decrease of 21.38% compared to the previous year.

3.2 Use of Resources

The Group is highly concerned with energy-saving and emission-reduction in routine management and hence the Group controls power supply for lighting and carries out business vehicles quota strictly by reducing the frequency of business car trips, popularizing fuel charging and maintenance at designated places on a monthly basis.

3.3 The Environment and Natural Resources

In view that the environmental protection is one of the vital social responsibilities of businesses, the Group has implemented the energy-saving philosophy in its daily work through standardizing office supplies management, advocating repairing the used and utilizing the waste, promoting energy-efficient office and double-sided copying.

INDEPENDENT AUDITOR'S REPORT

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To the members of Universal Medical Financial & Technical Advisory Services Company Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Universal Medical Financial & Technical Advisory Services Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 118 to 208, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTER

Allowance for impairment of lease receivables

Lease receivables contributed to 90% of the Group's total assets. The allowance for impairment of lease receivables is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management.

The Group first assesses whether impairment exists individually for lease receivables that are individually significant, or collectively for lease receivables that are not individually significant and then measures the impairment allowance for lease receivables individually or collectively after considering the historical loss data and qualitative factors on risk grading for lease receivables comprehensively.

The related disclosures are included in notes 3, 16 (c) and 36 to the consolidated financial statements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We understood and tested the design and operating effectiveness of the key controls over the approval and recording of lease receivables, and evaluated the design effectiveness of the controls over the credit grading process and the identification and timeline of identifying impairment indicators.

We adopted a risk-based sampling approach in our tests of the allowance for impairment of lease receivables. We selected samples considering the size, risk factors, industry trends for our tests to assess the risk grading and measurement of impairment. We assessed management's forecast of future repayments and current financial conditions of the lessees in relation to non-performing assets, based on historical experience, value of collateral and observable external data. We also evaluated the methodologies, inputs and assumptions used by the Group in calculating the collectively assessed impairment.

We assessed the adequacy of the disclosures about the allowance for impairment of loans included in the consolidated financial statements.

Recognition of deferred tax assets

As at 31 December 2016, the net deferred tax assets recognised in the consolidated statement of financial position amounted to RMB53,544,000, The deferred tax assets were recognised based on management's estimation of future taxable profits that would be available to utilise the deferred tax assets. The process of estimating the future available taxable profits was complex, and involved estimates and significant judgements that were affected by future actual operation, tax regulations, market or economic conditions.

The related disclosures are included in notes 3, 9 and 22 to the consolidated financial statements.

We evaluated and tested management's assessment on future available taxable profits by checking the Group's business plans, profit forecasts and historical financial and tax information. We also involved our tax specialists to assist us in assessing the Group's tax positions and the related assumptions. We checked the relevant disclosures of deferred tax assets in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Chi Keung.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
REVENUE	5	**2,700,916**	2,193,398
Cost of sales		**(965,970)**	(884,851)
Gross profit		**1,734,946**	1,308,547
Other income and gains	5	**28,616**	58,751
Selling and distribution costs		**(277,251)**	(213,926)
Administrative expenses		**(277,232)**	(246,496)
Other expenses		**(3,134)**	(6,602)
PROFIT BEFORE TAX	6	**1,205,945**	900,274
Income tax expense	9	**(333,635)**	(241,748)
PROFIT FOR THE YEAR		**872,310**	658,526
Attributable to:			
Owners of the parent		**872,310**	658,526
Non-controlling interests		**–**	–
		872,310	658,526
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	11	**0.51**	0.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 **RMB'000**	2015 RMB'000
PROFIT FOR THE YEAR	**872,310**	658,526
OTHER COMPREHENSIVE INCOME		
Item not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements into the presentation currency	**–**	446
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**–**	446
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	446
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**872,310**	658,972
Attributable to:		
Owners of the parent	**872,310**	658,972
Non-controlling interests	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**31 December 2016 RMB'000**	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**98,563**	89,586
Loans and accounts receivable	16	**19,754,852**	15,397,495
Restricted deposits	18	**–**	14,055
Prepayments, deposits and other receivables	17	**13,332**	106,930
Available-for-sale investments	13	**64,916**	64,916
Deferred tax assets	22	**53,544**	21,777
Other assets		**3,396**	–
Total non-current assets		**19,988,603**	15,694,759
CURRENT ASSETS			
Inventories	15	**2,054**	2,643
Loans and accounts receivable	16	**7,005,683**	5,919,463
Prepayments, deposits and other receivables	17	**27,551**	35,668
Derivative financial assets	14	**7,828**	28
Restricted deposits	18	**660,406**	139,650
Cash and cash equivalents	18	**1,272,458**	1,865,670
Total current assets		**8,975,980**	7,963,122
CURRENT LIABILITIES			
Trade payables	19	**194,333**	94,773
Other payables and accruals	20	**626,182**	356,739
Interest-bearing bank and other borrowings	21	**6,284,903**	7,634,574
Tax payable		**69,302**	65,217
Total current liabilities		**7,174,720**	8,151,303
NET CURRENT ASSETS/(LIABILITIES)		**1,801,260**	(188,181)
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,789,863**	15,506,578

	Notes	**31 December 2016 RMB'000**	31 December 2015 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	21	**13,200,556**	7,823,780
Other payables and accruals	20	**1,950,000**	1,736,682
Other liabilities	13	**64,916**	64,916
Total non-current liabilities		**15,215,472**	9,625,378
Net assets		**6,574,391**	5,881,200
EQUITY			
Share capital	24	**4,327,842**	4,327,842
Reserves	25	**2,246,549**	1,553,358
Total equity		**6,574,391**	5,881,200

Guo Weiping
Director

Peng Jiahong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Share capital RMB'000 (note 24)	Capital reserve* RMB'000 (note 25)	Statutory reserve* RMB'000 (note 25)	Exchange fluctuation reserve* RMB'000 (note 25)	Retained profits* RMB'000	Total RMB'000
At 1 January 2016	**4,327,842**	**23,938**	**186,828**	**29,248**	**1,313,344**	**5,881,200**
Profit for the year	**–**	**–**	**–**	**–**	**872,310**	**872,310**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**872,310**	**872,310**
Equity-settled share award arrangements	**–**	**9,364**	**–**	**–**	**–**	**9,364**
Dividends	**–**	**–**	**–**	**–**	**(188,483)**	**(188,483)**
Appropriation of reserves	**–**	**–**	**91,373**	**–**	**(91,373)**	**–**
At 31 December 2016	**4,327,842**	**33,302**	**278,201**	**29,248**	**1,905,798**	**6,574,391**

* These reserve accounts comprise the consolidated reserves of RMB2,246,549,000 (2015: RMB1,553,358,000) in the consolidated statement of financial position.

Year ended 31 December 2015

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015	1,579,905	4,742	119,128	1,223	722,501	2,427,499
Profit for the year	–	–	–	–	658,526	658,526
Other comprehensive income for the year:						
Exchange difference on translation of financial statements into the presentation currency	–	–	–	446	–	446
Total comprehensive income for the year	–	–	–	446	658,526	658,972
Issue of shares	2,775,518	–	–	–	–	2,775,518
Effect of change in functional currency (note 2.4)	(27,581)	(15)	–	27,579	17	–
Equity-settled share award arrangements	–	19,211	–	–	–	19,211
Appropriation of reserves	–	–	67,700	–	(67,700)	–
At 31 December 2015	4,327,842	23,938	186,828	29,248	1,313,344	5,881,200

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,205,945**	900,274
Adjustments for:			
Finance costs	6	**940,155**	864,165
Interest income	5	**(7,505)**	(7,877)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value gains, net	6	**(7,799)**	(1,804)
Depreciation	12	**22,271**	15,283
Amortization of intangible assets	6	**38**	–
Provision for impairment of lease receivables	16	**116,068**	69,050
Interest income from available-for-sale investments	5	**(1,017)**	(894)
Foreign exchange gain, net		**(1,277)**	(41,466)
Equity-settled share-based compensation expense	26	**9,364**	19,211
		2,276,243	1,815,942
Decrease in inventories		**589**	476
Increase in loans and accounts receivable		**(5,570,341)**	(5,764,438)
Decrease/(increase) in prepayments, deposits and other receivables		**73,955**	(64,139)
Increase in other assets		**(2,385)**	–
Decrease in amounts due from related parties		**11,020**	17,315
Increase/(decrease) in trade payables and notes payable		**779,444**	(753,248)
Increase in other payables and accruals		**403,528**	540,222
Increase/(decrease) in amounts due to related parties		**114**	(108,401)
Increase in other liabilities		**–**	43,961
Net cash flows used in operating activities before interest and tax		**(2,027,833)**	(4,272,310)
Interest received		**7,505**	7,877
Income tax paid		**(361,317)**	(187,956)
Net cash flows used in operating activities		**(2,381,645)**	(4,452,389)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income from available-for-sale investments		**1,017**	894
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets		**(20,202)**	(28,903)
Purchase of available-for-sale investments		**–**	(43,961)
Increase in time deposits		**(440,500)**	–
Net cash flows used in investing activities		**(459,685)**	(71,970)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	2,775,518
Increase in amounts due to related parties		**1,500,000**	1,750,000
Decrease in amounts due to related parties		**(500,000)**	(2,279,005)
Cash received from borrowings		**13,543,824**	13,585,614
Repayments of borrowings		**(11,276,673)**	(9,102,592)
Interest paid		**(837,256)**	(868,486)
Cash paid for restricted deposits		**(143,987)**	(117,019)
Repayment of restricted deposits		**77,786**	63,818
Dividends paid		**(188,483)**	(8,264)
Net cash flows from financing activities		**2,175,211**	5,799,584
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(666,119)**	1,275,225
Cash and cash equivalents at beginning of year		**1,865,670**	453,569
Effect of exchange rate changes on cash and cash equivalents		**72,907**	136,876
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,272,458**	1,865,670
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,469,377**	1,994,723
Less: Restricted deposits		**(196,919)**	(129,053)
Cash and cash equivalents as stated in the statement of financial position	18	**1,272,458**	1,865,670
Cash and cash equivalents as stated in the statement of cash flows		**1,272,458**	1,865,670

1. CORPORATE AND GROUP INFORMATION

Universal Medical Financial & Technical Advisory Services Company Limited (the “Company”) is a limited liability company which was incorporated in Hong Kong on 19 April 2012. Pursuant to the special resolutions of the shareholders dated 6 February 2015 and 10 June 2015, respectively, the Company changed its name from Universal International Leasing Co., Limited to Universal Medical Services & Health Management Company Limited and then to Universal Medical Financial & Technical Advisory Services Company Limited. The registered office of the Company is located at Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 8 July 2015.

The Company and its subsidiaries (the “Group”) are principally engaged in providing financing to its customers under finance lease arrangements, the provision of advisory services, sale of medical equipment, medical equipment leases under operating lease arrangements, and the provision of other services as approved by the Ministry of Commerce of the People’s Republic of China (the “PRC”) in Mainland China.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary share/registered capital	Percentage of equity interest attributable to the company		Principal activities
			Direct	Indirect	
中國環球租賃有限公司* (China Universal Leasing Co., Ltd.)	PRC/Mainland China	US$618,887,616	100.00	–	Finance lease
Universal Number One Co., Ltd.	Cayman Islands	US$1	100.00	–	Provision of financing
Universal Number Two Co., Ltd.	Cayman Islands	US$1	100.00	–	For future business purposes
環球國際融資租賃(天津)有限公司** (Universal International Financial Leasing (Tianjin) Co., Ltd.)	PRC/Mainland China	US$150,000,000	25.00	75.00	Finance lease
環醫益和醫療技術服務(天津)有限公司*** (Universal Medical HarmoCare Technology Service (Tianjin) Co., Ltd.)	PRC/Mainland China	RMB18,000,000	–	100.00	Medical technology services
融慧濟民醫院投資管理(天津)有限公司*** (Wiseman Hospital Investment Management (Tianjin) Co., Ltd.)	PRC/Mainland China	RMB400,000,000	–	100.00	Hospital management services
惠民華康醫療信息技術(天津)有限公司*** (Sinosound Healthcare Technology (Tianjin) Co., Ltd.)	PRC/Mainland China	RMB30,000,000	–	60.00#	Hospital digitalisation services
西安融慧醫院建設管理有限公司*** (Xi'an Wanheng Medical Technology Development Co., Ltd.)	PRC/Mainland China	RMB400,000,000	–	100.00	Hospital construction and management services

* Registered as a wholly-foreign-owned entity under PRC law

** Registered as a Sino-foreign joint venture under PRC law

*** Registered as limited liability companies under PRC law

There was no equity interest as at 31 December 2016 held by non-controlling interests and no profit or loss for the year allocated to non-controlling interests as the subsidiary has not started its business and its shareholders have not paid any share capital as at 31 December 2016.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB"), and rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity (including a structure entity), directly or indirectly, controlled by the Company. Control is achieved when the 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 Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee. The 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 Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the 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 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 Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The 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 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 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 Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and amendments included in the *Annual Improvements 2012-2014 Cycle,* which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows: (continued)

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 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 HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 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 application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows: (continued)

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 CHANGE IN FUNCTIONAL CURRENCY

An entity's functional currency is the currency of the primary economic environment in which the entity operates.

As the financing capacity of the Company is strengthened following the completion of the Company's initial public offering and listing on the Stock Exchange at the beginning of July 2015, the directors of the Company expect that the Company would be principally engaged in raising funds outside Mainland China to finance the business of its subsidiaries operated in Mainland China, since then, the Company's operation would highly rely on RMB. Accordingly, the directors assessed and changed the functional currency of the Company from United States dollar ("US$") to RMB starting from July 2015.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates". On the date of the change of functional currency, the Company translated all items into RMB using the exchange rate on that date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. 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 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 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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 financial statements on a recurring basis, the 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 reporting period.

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 for the cash-generating unit to which the asset belongs.

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 statement 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 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 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 the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the 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 Group;

(ii) has significant influence over the Group; or

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

or

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

(i) the entity and the 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 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 Group or an entity related to the 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 Group or to the parent of the Group

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5.

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 statement 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 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:

Category	Annual depreciation rate
Transportation equipment	9.50%
Office equipment	19.00%
Electronic equipment	19.00%
Medical equipment	8.33%~20.00%
Leasehold improvements	20.00%
Others	19.00%

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 and 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 statement 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and accounts receivable. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded 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 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 fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income and gains or finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in revenue in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in administrative expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement 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 Group's consolidated statement of financial position) when:

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

- the 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the 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 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 the consideration that the Group could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of revenue. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade payables, other payables and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

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 statement 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 cost of sales in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(a) Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

(c) Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are goods valued at the lower of cost and net realisable value at the end of the reporting period. The cost of inventories issued is determined on the specific identification basis. The difference between the cost and the lower net realisable value is stated as a provision. Net realisable value is based on estimated selling price less estimated costs to be incurred to completion and disposal.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement 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 Group's cash management.

For the purpose of the consolidated statement 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 reporting 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 statement 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 reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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, 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, 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 the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) finance lease income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease;

(b) from the rendering of services, income is recognised when the services have been rendered and the revenue can be reasonably estimated and deferred revenue is recorded as liability when the payments have been made in advance by customers for services yet to be rendered as at each reporting date and recognised as income when the services have been rendered and the revenue can be reasonably estimated;

(c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(d) operating lease income, on a time proportion basis over the lease terms. Contingent rent is recognised as income in the period in which it is earned;

(e) interest income, 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; and

(f) dividend income, when the shareholders' right to receive payment has been established.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the market approach, further details of which are given in note 26 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension obligations

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group's subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan") since 2015. The Group and its employees are required to contribute a certain percentage of the employees' previous year salaries to the Annuity Plan. The contributions are charged to the statement of profit or loss immediately when they occur. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions even if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency following the change as described in note 2.4 to the consolidated financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain entities in the Group are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the entities of the Group whose functional currencies are other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of entities with functional currencies other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, 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 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 financial statements:

Classification between finance leases and operating leases

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor).

The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgements by management.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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 (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting 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 to sell and its value in use. The calculation of the fair value less costs to sell 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the tax positions, the likely timing and level of future taxable profits which are affected by future actual operation, tax regulations, market or economic conditions.

Provision for bad and doubtful receivables

Provision for bad and doubtful receivables is made based on the assessment of the recoverability of loans and receivables. The identification of doubtful receivables requires management's judgement and estimation. Management measures and monitors the asset quality of the lease receivable portfolio by classifying the lease receivables using the 5-category classification system by referring to guidelines promulgated by the China Banking Regulatory Commission relating to asset quality for financial institutions under its regulation. And thereon, for the first two categories i.e., Pass and Special Mention, the lease receivables are regarded as performing assets as no objective evidence of impairment exists individually and they are collectively assessed for impairment; while lease receivables in the remaining three categories i.e., Substandard, Doubtful and Loss, are regarded as non-performing assets and are measured for impairment individually since objective evidence of impairment exists individually for such lease receivables. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the receivables and doubtful debt expenses/write-back in the period in which such estimate is changed.

Fair value of financial instruments

For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Valuation techniques make use of observable market information to the greatest extent, however, when the observable market information cannot be obtained, management will have to make assumptions on the credit risk, market volatility and correlations of the Group and the counterparties, and any changes in these underlying assumptions will affect the fair value of financial instruments.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in providing financing to its customers under finance lease arrangements, the provision of advisory services, the sale of medical equipment, and medical equipment leases under operating lease arrangements in Mainland China. For management purposes, the aforesaid businesses are integral and the Group has not organised into different operating segments.

Geographical information

(a) All the revenue from sales of the operations to external customers of the Group is generated in Mainland China.

(b) All non-current assets of the operations are located in Mainland China, except for financial instruments and deferred tax assets.

Information about a major customer

There was no single customer which contributed to 10% or more of the total revenue of the Group during the year.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, net of value added tax, after allowances for returns and trade discounts; and the value of services rendered and gross leasing income received, net of business tax or value added tax, during the year.

An analysis of revenue, other income and gains is as follows:

	2016	2015
	RMB'000	RMB'000
Revenue		
Finance lease income	**1,952,243**	1,475,796
Service fee income	**728,919**	703,058
Operating lease income	**20,923**	17,983
Sale of goods	**13,214**	12,338
Others	**2,827**	2,960
Taxes and surcharges	**(17,210)**	(18,737)
	2,700,916	2,193,398
Other income and gains		
Interest income	**7,505**	7,877
Foreign exchange gains	**–**	44,614
Derivative financial instruments – transaction not qualifying as a hedge:		
– Unrealised fair value gains, net	**7,799**	1,804
Government grants (note 5a)	**12,179**	400
Interest income from available-for-sale investments	**1,017**	894
Others	**116**	3,162
	28,616	58,751

5a. Government Grants

	2016	2015
	RMB'000	RMB'000
Government special subsidies	**12,179**	400

6. PROFIT BEFORE TAX

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

	Note	**2016 RMB'000**	2015 RMB'000
Cost of borrowings included in cost of sales		**940,155**	864,165
Cost of inventories sold		**6,911**	6,284
Cost of operating leases		**18,904**	14,297
Cost of others		**–**	105
Depreciation		**3,367**	986
Amortisation of intangible assets		**38**	–
Rental expenses		**23,460**	18,905
Auditor's remuneration		**2,799**	2,300
Listing expense		**–**	31,559
Employee benefit expense (including directors' remuneration (note 7)):			
– Wages and salaries		**242,213**	192,501
– Equity-settled share-based compensation expense	26	**9,364**	19,211
– Pension scheme contributions		**25,266**	19,573
– Other employee benefits		**32,251**	20,578
		309,094	251,863
Impairment of loans and accounts receivable	16c	**116,068**	69,050
Foreign exchange loss/(gain)		**858**	(44,614)
Derivative financial instruments – transactions not qualifying as hedges:			
– Unrealised fair value gains, net		**(7,799)**	(1,804)
– Realised fair value losses, net		**609**	3,921

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383 (1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2016	2015
	RMB'000	RMB'000
Fees	**706**	348
Other emoluments:		
Salaries, allowances and benefits in kind	**3,088**	2,400
Performance related bonuses*	**2,996**	3,600
Pension scheme contributions	**462**	540
	6,546	6,540
	7,252	6,888

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the business performance of the Group.

During the year ended 31 December 2014, certain executive directors were granted restricted shares ("Restricted Shares") by the shareholders CITIC Capital Leasing Ltd. ("CITIC Capital") and Jublon Capital Limited ("Jublon") of the Company, in respect of their services to the Group, further details of which are set out in note 26 to the financial statements. The compensation expense for the Restricted Shares granted, which is equal to the difference between the fair value of the shares at the grant date and considerations paid by the executive directors, should be recognised in the statement of profit or loss over the vesting period. The amount of compensation expense included in the financial statements for the year was RMB5,618,000 (2015: RMB11,526,000).

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 RMB'000	2015 RMB'000
Mr. Lim Yean Leng (i)	**38**	87
Mr. Li Yinquan	**182**	87
Mr. Chow Siu Lui	**182**	87
Mr. Kong Wei	**182**	87
Mr. Han Demi (ii)	**122**	–
	706	348

Notes:

(i) Resigned on 29 February 2016

(ii) Appointed on 13 April 2016

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	**Salaries, allowances and benefits in kind RMB'000**	**Performance related bonuses RMB'000**	**Pension scheme contributions RMB'000**	**Total RMB'000**
2016					
Executive directors:					
Mr. Guo Weiping (i)	**–**	**1,625**	**1,495**	**256**	**3,376**
Ms. Peng Jiahong	**–**	**1,463**	**1,501**	**206**	**3,170**
Non-executive directors:					
Mr. Zhang Yichen	**–**	**–**	**–**	**–**	**–**
Mr. Jiang Xin	**–**	**–**	**–**	**–**	**–**
Mr. Liu Xiaoping	**–**	**–**	**–**	**–**	**–**
Mr. Liu Zhiyong	**–**	**–**	**–**	**–**	**–**
Mr. Su Guang	**–**	**–**	**–**	**–**	**–**
Mr. Chen Weisong (iii)	**–**	**–**	**–**	**–**	**–**
Mr. Zeng Yu (iv)	**–**	**–**	**–**	**–**	**–**
	–	**3,088**	**2,996**	**462**	**6,546**

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and the chief executive (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2015					
Executive directors:					
Mr. Guo Weiping (i)	–	1,300	1,860	312	3,472
Ms. Peng Jiahong	–	1,100	1,740	228	3,068
Non-executive directors:					
Mr. Zhang Yichen	–	–	–	–	–
Mr. Jiang Xin	–	–	–	–	–
Mr. Liu Dongsheng (ii)	–	–	–	–	–
Mr. Liu Xiaoping	–	–	–	–	–
Mr. Liu Zhiyong	–	–	–	–	–
Mr. Su Guang	–	–	–	–	–
Mr. Chen Weisong	–	–	–	–	–
	–	2,400	3,600	540	6,540

Notes:

(i) Chief executive

(ii) Resigned on 6 March 2015

(iii) Resigned on 13 April 2016

(iv) Appointed on 13 April 2016

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2015: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2015: two directors and the chief executive), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries, allowances and benefits in kind	**1,966**	2,460
Performance related bonuses	**23,496**	16,107
Pension scheme contributions	**681**	731
	26,143	19,298

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$15,500,001 to HK$16,000,000	**–**	1
HK$21,000,001 to HK$21,500,000	**1**	–
	3	3

During the year ended 31 December 2014, certain Restricted Shares were granted to one (2015: two) non-director and non-chief executive highest paid employees of the year in respect of their services to the Group, further details of which are included in the disclosures in note 26 to the financial statements. The compensation expense for the Restricted Shares granted, which is equal to the difference between the fair value of the shares at the grant date and the consideration paid by these employees of the shares, should be recognised in the statement of profit or loss over the vesting period. The amount of compensation expense included in the financial statements for the year was RMB312,000 (2015: RMB1,921,000).

9. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Current – Hong Kong		
Underprovision in prior years	–	859
Current – Mainland China		
Charge for the year	358,722	240,293
Underprovision/(overprovision) in prior years	6,680	(124)
Deferred tax (note 22)	(31,767)	720
Total tax charge for the year	333,635	241,748

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year (2015: 16.5%).

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries incorporated in the Cayman Islands are exempted from income tax in the Cayman Islands.

A reconciliation of the tax charge applicable to profit before tax using the statutory/applicable rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2016 RMB'000	2015 RMB'000
Profit before tax	1,205,945	900,274
At the PRC statutory income tax rate of 25%	301,486	225,068
Lower tax rate enacted by local authority	2,237	545
Expenses not deductible for tax purposes	5,781	11,427
Income not subject to tax	(76)	(8,930)
Adjustment on current income tax in respect of prior years	6,680	735
Unrecognised tax losses	3,027	1,903
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	14,500	11,000
Income tax expense as reported in the consolidated statement of profit or loss	333,635	241,748

10. DIVIDENDS

	2016 **RMB'000**	2015 RMB'000
Proposed final dividend – HK$0.17 (2015: HK$0.13) per ordinary share	**260,993**	186,925

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

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

Basic earnings per share for the years ended 31 December 2016 and 2015 is calculated by dividing the profits attributable to ordinary equity holders of the parent by the weighted average numbers of ordinary shares in issue during the respective periods, which have been adjusted retrospectively for the share split on 11 June 2015 as described in note 24 (a) to the financial statements.

	2016 **RMB'000**	2015 RMB'000
Profit attributable to ordinary equity holders of the parent	**872,310**	658,526

	2016	2015
Weighted average number of ordinary shares in issue	**1,716,304,580**	1,484,397,155

	2016 **RMB**	2015 RMB
Basic and diluted earnings per share	**0.51**	0.44

Diluted earnings per share for the years ended 31 December 2016 and 2015 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding.

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2016

	Transportation equipment RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Medical equipment RMB'000	Leasehold improvements RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016:							
Cost	2,861	1,972	5,546	133,602	9,713	1,764	155,458
Accumulated depreciation	(1,335)	(535)	(3,197)	(60,418)	–	(387)	(65,872)
Net carrying amount	1,526	1,437	2,349	73,184	9,713	1,377	89,586
At 1 January 2016, net of accumulated depreciation	1,526	1,437	2,349	73,184	9,713	1,377	89,586
Additions	329	470	3,199	23,766	3,059	425	31,248
Depreciation provided during the year	(360)	(271)	(885)	(18,904)	(1,528)	(323)	(22,271)
At 31 December 2016, net of accumulated depreciation	1,495	1,636	4,663	78,046	11,244	1,479	98,563
At 31 December 2016:							
Cost	3,190	2,442	8,745	157,368	12,772	2,189	186,706
Accumulated depreciation	(1,695)	(806)	(4,082)	(79,322)	(1,528)	(710)	(88,143)
Net carrying amount	1,495	1,636	4,663	78,046	11,244	1,479	98,563

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2015

	Transportation equipment RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Medical equipment RMB'000	Leasehold improvements RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015:							
Cost	2,641	605	4,209	132,602	–	588	140,645
Accumulated depreciation	(1,007)	(457)	(2,714)	(46,121)	–	(290)	(50,589)
Net carrying amount	1,634	148	1,495	86,481	–	298	90,056
At 1 January 2015, net of accumulated depreciation	1,634	148	1,495	86,481	–	298	90,056
Additions	220	1,367	1,337	1,000	9,713	1,176	14,813
Depreciation provided during the year	(328)	(78)	(483)	(14,297)	–	(97)	(15,283)
At 31 December 2015, net of accumulated depreciation	1,526	1,437	2,349	73,184	9,713	1,377	89,586
At 31 December 2015:							
Cost	2,861	1,972	5,546	133,602	9,713	1,764	155,458
Accumulated depreciation	(1,335)	(535)	(3,197)	(60,418)	–	(387)	(65,872)
Net carrying amount	1,526	1,437	2,349	73,184	9,713	1,377	89,586

13. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Asset-backed securities	**64,916**	64,916

As at 31 December 2016, the Group invested in asset-backed securities which were issued by special purpose trusts. Details of the asset-backed securities are disclosed in note 32 to the financial statements.

14. DERIVATIVE FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Interest rate swaps	**7,828**	28

As at 31 December 2016, the Group's borrowings with floating interest rates determined with reference to the London Interbank Offered Rate ("LIBOR") and measured at amortised cost amounted to US$120,000,000 (2015: US$36,000,000). To manage the interest rate exposure arising from these borrowings, the Group accordingly entered into interest rate swap contracts with certain banks in Hong Kong/Mainland China. As at 31 December 2016, the total nominal amount of interest rate swap contracts was US$120,000,000 (2015: US$36,000,000). A gain on fair value of the financial derivatives amounting to RMB7,799,000 (2015: a gain of RMB1,804,000) was credited to the statement of profit or loss during the year ended 31 December 2016.

15. INVENTORIES

	2016 RMB'000	2015 RMB'000
Medical equipment	**2,054**	2,643

16. LOANS AND ACCOUNTS RECEIVABLE

	2016 RMB'000	2015 RMB'000
Loans and accounts receivable due within 1 year	**7,005,683**	5,919,463
Loans and accounts receivable due after 1 year	**19,754,852**	15,397,495
	26,760,535	21,316,958

16a. Loans and accounts receivable by nature

	2016 RMB'000	2015 RMB'000
Gross lease receivables (note 16b)*	**32,399,289**	25,812,062
Less: Unearned finance income	**(5,239,148)**	(4,211,410)
Net lease receivables (note 16b)*	**27,160,141**	21,600,652
Accounts receivable (note 16d)*	**2,205**	4,826
Notes receivable (note 16e)*	**2,777**	–
Subtotal of loans and accounts receivable	**27,165,123**	21,605,478
Less:		
Provision for lease receivables (note 16c)	**(404,588)**	(288,520)
	26,760,535	21,316,958

* These balances included balances with related parties which are disclosed in note 16f to the financial statements.

16. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

16b(1). An aging analysis of the lease receivables, determined based on the age of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period is as follows:

	2016	2015
	RMB'000	RMB'000
Gross lease receivables		
Within 1 year	**17,344,561**	12,979,870
1 to 2 years	**9,687,212**	7,477,834
2 to 3 years	**3,048,569**	3,968,858
3 years and beyond	**2,318,947**	1,385,500
	32,399,289	25,812,062

	2016	2015
	RMB'000	RMB'000
Net lease receivables		
Within 1 year	**14,266,243**	10,491,029
1 to 2 years	**8,115,744**	6,321,105
2 to 3 years	**2,695,715**	3,533,236
3 years and beyond	**2,082,439**	1,255,282
	27,160,141	21,600,652

16. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

16b(2). The table below illustrates the gross and net amounts of the lease receivables the Group expects to receive in the following three consecutive accounting years:

	2016 RMB'000	2015 RMB'000
Gross lease receivables:		
Due within 1 year	**9,071,695**	7,641,809
Due in 1 to 2 years	**8,134,150**	6,553,370
Due in 2 to 3 years	**6,989,085**	5,179,680
Due after 3 years and beyond	**8,204,359**	6,437,203
	32,399,289	25,812,062

	2016 RMB'000	2015 RMB'000
Net lease receivables:		
Due within 1 year	**7,158,746**	6,036,410
Due in 1 to 2 years	**6,561,621**	5,301,893
Due in 2 to 3 years	**5,956,812**	4,395,572
Due after 3 years and beyond	**7,482,962**	5,866,777
	27,160,141	21,600,652

16c. Change in Provision for Lease Receivables

	Individually assessed		Collectively assessed		Total	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
At beginning of year	**64,383**	57,199	**224,137**	162,271	**288,520**	219,470
Charge for the year	**24,174**	7,184	**91,894**	61,866	**116,068**	69,050
At end of year	**88,557**	64,383	**316,031**	224,137	**404,588**	288,520

As at 31 December 2016, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB4,735,186,000 and RMB4,209,364,000 (2015: RMB7,530,865,000 and RMB6,559,366,000), respectively (see note 21).

16. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

16d. An aging analysis of the accounts receivable, determined based on the age of the receivables since the recognition date of the accounts receivable, as at the end of the year is as follows:

	2016 **RMB'000**	2015 RMB'000
Within 1 year	**–**	21
More than 1 year	**2,205**	4,805
	2,205	4,826

Accounts receivable arose from the sale of medical equipment and advisory services. Except for some specific contracts, the Group generally does not provide credit terms to customers.

16e. An aging analysis of the notes receivable, determined based on the age of the receivables since the recognition date of the notes receivable, as at the end of the year is as follows:

	2016 **RMB'000**	2015 RMB'000
Within 1 year	**2,777**	–

16f. Balances with Related Parties

The balances of loans and accounts receivable of the Group included the balances with related parties as follows:

Gross lease receivables:

Name	**2016** **RMB'000**	2015 RMB'000
Harbin Measuring & Cutting Tool Group Co., Ltd.	**3,275**	13,249
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.	**1,260**	5,096

16. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

16f. Balances with Related Parties (continued)

Net lease receivables:

Name		2016 RMB'000	2015 RMB'000
Harbin Measuring & Cutting Tool Group Co., Ltd.	(i)	**3,249**	12,979
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.	(i)	**1,249**	4,992

Accounts receivable:

Name		2016 RMB'000	2015 RMB'000
China National Instruments Import & Export (Group) Corporation	(ii)	**1,805**	1,805

Notes receivable:

Name		2016 RMB'000	2015 RMB'000
Harbin Measuring & Cutting Tool Group Co., Ltd.	(ii)	**1,279**	–
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.	(ii)	**1,498**	–

The above related parties are subsidiaries of China General Technology (Group) Holding Company Limited ("Genertec Group") which is a major shareholder of the Company.

(i) The balances of the net lease receivables bore interest at annual interest rates ranging from 4.75% to 6.01% (2015: 4.75% to 6.01%).

(ii) The balances with the related parties are unsecured, interest-free and repayable on demand.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2016 RMB'000	2015 RMB'000
Current:			
Prepayments		**2,457**	978
Other receivables		**11,845**	26,948
Lease deposit receivable due within one year		**11,217**	5,386
Due from a related party	17a	**2,032**	2,356
		27,551	35,668
Non-current:			
Prepayments for non-current assets		**13,332**	95,713
Lease deposit receivable		**–**	11,217
		13,332	106,930
		40,883	142,598

17a. Balances with Related Parties

Particulars of amounts due from related parties are as follows:

	2016 RMB'000	2015 RMB'000
Due from related parties:		
Genertec Finance Co., Ltd.	**68**	142
China National Instruments Import & Export (Group) Corporation	**38**	38
General Technology Group Property Management Ltd.	**915**	915
Genertec Italia s.r.l.	**743**	1,123
Paryocean Properties Co., Ltd.	**268**	138
	2,032	2,356

The above related parties are subsidiaries of Genertec Group.

The balances with the related parties are unsecured, interest-free and will be settled within one year.

18. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2016 **RMB'000**	2015 RMB'000
Cash and bank balances	**1,469,377**	1,994,723
Time deposits	**463,487**	24,652
	1,932,864	2,019,375
Less:		
Pledged deposits and restricted bank deposits related to asset-backed securitisations	**(219,906)**	(153,705)
Time deposits with original maturity of more than three months	**(440,500)**	–
Cash and cash equivalents	**1,272,458**	1,865,670

As at 31 December 2016, the cash and bank balances of the Group denominated in RMB amounted to RMB785,623,000 (2015: RMB698,098,000). 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 Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2016, cash of RMB147,217,000 (2015: RMB105,631,000) was pledged or charged for bank borrowings (note 21).

As at 31 December 2016, cash of RMB72,689,000 (2015: RMB48,074,000) was not available for use by the Group in accordance with the arrangements entered into by the Group and the special purpose trusts in the securitisation transactions described in note 32. The cash collected by the Group from the associated finance lease contracts of the securitisation transactions have to be passed on to the investors of the asset-backed securities without material delay.

As at 31 December 2016, cash of RMB406,716,000 (2015: RMB378,797,000) was deposited with Genertec Finance Co., Ltd., a related party.

19. TRADE PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**194,179**	94,735
Due to related parties (note 19b)	**154**	38
	194,333	94,773

The trade payables are non-interest-bearing and are repayable within one year.

19a. An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**178,783**	81,759
1 to 2 years	**5,277**	161
2 to 3 years	**113**	5,555
Over 3 years	**10,160**	7,298
	194,333	94,773

19b. Balances with Related Parties

Particulars of the amounts due to related parties are as follows:

	2016 RMB'000	2015 RMB'000
Trade payables:		
Genertec International Logistics Co., Ltd.	**37**	–
Genertec Italia s.r.l.	**117**	38
	154	38

The above related parties are subsidiaries of Genertec Group.

The balances with the related parties are unsecured, interest-free and repayable within one year or based on the payment schedules agreed between the Group and the respective parties.

20. OTHER PAYABLES AND ACCRUALS

	Note	2016 RMB'000	2015 RMB'000
Current:			
Lease deposits due within 1 year		**103,163**	72,053
Accrued salaries		**90,966**	77,528
Welfare payables		**4,454**	3,690
Advances from customers		**28,272**	5,089
Due to related parties	20a	**2,111**	1,271
Other taxes payable		**17,199**	52,055
Interest payable		**111,684**	87,068
Other payables		**268,333**	57,985
		626,182	356,739
Non-current:			
Lease deposits due after 1 year		**1,766,159**	1,633,849
Accrued salaries		**183,841**	102,833
		1,950,000	1,736,682
		2,576,182	2,093,421

20a. Balances with Related Parties

Details of the amounts due to related parties are as follows:

	2016 RMB'000	2015 RMB'000
Genertec Hong Kong International Capital Limited	**–**	2
Genertec Finance Co., Ltd.	**2,111**	1,269
	2,111	1,271

The above related parties are subsidiaries of Genertec Group.

The balances with the related parties are unsecured, interest-free and repayable within one year or based on the payment schedules agreed between the Group and the respective parties.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – unsecured	**3.70~4.79**	**2017**	**1,404,500**	1.84~5.74	2016	3,079,092
Current portion of long-term bank loans						
– secured	**3.45~5.23**	**2017**	**1,233,412**	4.75~6.60	2016	862,102
– unsecured	**3.64~4.99**	**2017**	**909,135**	3.60~6.30	2016	1,844,936
Current portion of long-term other loans						
– secured	**4.99**	**2017**	**1,400**	5.25	2016	9,216
– unsecured	**4.80**	**2017**	**100,000**	–	–	–
Finance lease payables						
– secured (note 23)	**4.75~5.56**	**2017**	**201,529**	4.75~5.56	2016	303,040
Bonds payable						
– secured	**6.22~6.38**	**2017**	**1,586,530**	4.8	2016	138,180
– unsecured	**3.26~3.34**	**2017**	**848,397**	3.80~3.85	2016	898,008
Due to a related party						
– unsecured	**–**	**–**	**–**	4.35	2016	500,000
			6,284,903			7,634,574
Non-current:						
Bank loans						
– secured	**4.28~5.23**	**2018~2020**	**852,212**	4.75~6.60	2017~2020	1,527,020
– unsecured	**3.64~4.99**	**2018~2019**	**4,648,087**	3.08~6.30	2017~2018	2,229,423
Other loans						
– secured	**–**	**–**	**–**	4.80~5.25	2017	601,400
– unsecured	**5.00**	**2019**	**1,500,000**	–	–	–
Bonds payables						
– secured	**5.20~6.43**	**2018~2020**	**764,374**	5.20~6.43	2017~2020	2,363,729
– unsecured	**3.13~4.69**	**2018~2021**	**3,935,883**	4.69	2018	897,570
Finance lease payables						
– secured (note 23)	**–**	**–**	**–**	4.75~5.56	2016~2018	204,638
Due to a related party						
– unsecured	**4.75**	**2018~2019**	**1,500,000**	–	–	–
			13,200,556			7,823,780
			19,485,459			15,458,354

21. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2016 RMB'000	2015 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**3,547,047**	5,786,130
In the second year	**2,912,091**	2,150,286
In the third to fifth years, inclusive	**2,588,208**	1,606,157
	9,047,346	9,542,573
Analysed into:		
Other borrowings repayable:		
Within one year	**2,737,856**	1,848,444
In the second year	**2,212,425**	2,405,338
In the third to fifth years, inclusive	**5,487,832**	1,661,999
	10,438,113	5,915,781
	19,485,459	15,458,354

Notes:

(a) During the year ended 31 December 2014, the Company's wholly-owned subsidiary, Universal Number One Co., Ltd., issued bonds with an aggregate principal amount of RMB1,600,000,000 at a fixed coupon rate of 5.70% in Hong Kong (the "Bonds"). The Bonds were listed on the Stock Exchange and due for repayment in 2017. The Company provides an unconditional and irrevocable guarantee in respect of the Bonds, which are also secured by the Group's lease receivables, time deposits and the shares of Universal Number One Co., Ltd. As at 31 December 2016, the amortised cost of the Bonds amounted to RMB1,586,530,000 (2015: RMB1,592,922,000).

(b) In May 2015, the Company's wholly-owned subsidiary, China Universal Leasing Co., Ltd. ("CULC"), issued a batch of leasing assets-backed securities with an aggregate principal amount of RMB1,141,858,000 to institutional investors through an asset management plan. The asset-backed securities have four senior tranches and one subordinated tranche. The Group received proceeds of RMB912,000,000 from the senior tranches which have expected annualised yields ranging from 4.80% to 6.43% and maturity periods from one year to five years. The subordinated tranche amounting to RMB229,858,200 was purchased by CULC itself and thus no proceeds were received. As at 31 December 2016, the amortised cost of the debt securities issued amounted to RMB764,374,000 (2015: RMB908,987,000).

(c) As at 31 December 2016, the Group's bank and other borrowings secured by lease receivables were RMB4,442,477,000 (2015: RMB6,009,325,000); the Group's gross lease receivables and net lease receivables pledged or charged as security for the Group's bank and other borrowings were RMB4,735,186,000 and RMB4,209,364,000, respectively (2015: RMB7,530,865,000 and RMB6,559,366,000).

(d) As at 31 December 2016, the Group's bank and other borrowings secured by cash and bank balances and time deposits amounted to RMB3,468,554,000 (2015: RMB3,384,910,000).

(e) As at 31 December 2016, the balance due to a related party was due to Genertec Finance Co., Ltd. (2015: Genertec Finance Co., Ltd.).

22. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax assets

	Allowances for impairment losses RMB'000	Salary and welfare payable RMB'000	Fair value loss on derivative financial instruments RMB'000	Accrued expenses RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2016	**18,679**	**25,775**	**–**	**425**	**44,879**
Credited/(charged) to the statement of profit or loss during the year	**14,139**	**20,156**	**–**	**(425)**	**33,870**
Gross deferred tax assets at 31 December 2016	**32,818**	**45,931**	**–**	**–**	**78,749**
Gross deferred tax assets at 1 January 2015	14,697	24,597	445	250	39,989
Credited/(charged) to the statement of profit or loss during the year	3,982	1,178	(445)	175	4,890
Gross deferred tax assets at 31 December 2015	18,679	25,775	–	425	44,879

Deferred tax liabilities

	Lease deposits RMB'000	Fair value gain on derivative financial instruments RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2016	**23,095**	**7**	**23,102**
Charged to the statement of profit or loss during the year	**153**	**1,950**	**2,103**
Gross deferred tax liabilities at 31 December 2016	**23,248**	**1,957**	**25,205**
Gross deferred tax liabilities at 1 January 2015	17,492	–	17,492
Charged to the statement of profit or loss during the year	5,603	7	5,610
Gross deferred tax liabilities at 31 December 2015	23,095	7	23,102

22. DEFERRED TAX (CONTINUED)

For the purpose of presentation of the consolidated statement of financial position, deferred tax assets and liabilities have been offset as the deferred taxes relate to the same taxable entity and the same taxation authority, and presented as follows:

	2016 **RMB'000**	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**53,544**	21,777

The Company has tax losses arising in Hong Kong of RMB29,871,000 (2015: RMB11,528,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the funds will be retained to expand the operations in Mainland China and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,778,077,000 (2015: RMB1,286,072,000).

23. FINANCE LEASE PAYABLES

The Group, as a lessee, engaged in sale and leaseback transactions with certain finance leasing companies for financing purposes. These leases are classified as finance leases and have remaining lease terms ranging from three to five years. The equipment selected for the sale and leaseback transactions had been under finance leases pursuant to the finance lease contracts in which the Group was a lessor.

As at 31 December 2016, the total future minimum lease payments under finance leases and their present values were as follows:

	2016		2015	
	Minimum lease payments RMB'000	**Present value of minimum lease payments RMB'000**	Minimum lease payments RMB'000	Present value of minimum lease payments RMB'000
Amounts payable:				
Within one year	**206,965**	**201,529**	325,341	305,733
In the second year	**–**	**–**	208,095	201,945
Total minimum finance lease payments	**206,965**	**201,529**	533,436	507,678
Future finance charges	**(5,436)**		(25,758)	
Total net finance lease payables	**201,529**		507,678	
Portion classified as current liabilities (note 21)	**(201,529)**		(303,040)	
Non-current portion (note 21)	**–**		204,638	

24. SHARE CAPITAL

	2016 **RMB'000**	2015 RMB'000
Issued and fully paid:		
1,716,304,580 (2015: 1,716,304,580) ordinary shares	**4,327,842**	4,327,842

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

	Number of shares	Share capital in issue RMB'000
At 1 January 2015	253,913,216	1,579,905
Share split (note(a))	1,015,652,864	–
Effect of change in functional currency (note 2.4)	–	(27,581)
Issue of shares (note(b))	446,738,500	2,882,725
	1,716,304,580	4,435,049
Share issue expenses	–	(107,207)
As at 31 December 2015 and 2016	1,716,304,580	4,327,842

Notes:

(a) Pursuant to the written resolutions passed by the general meeting of the shareholders of the Company on 10 June 2015, among others, each existing share in the capital of the Company was split into five shares with effect from 11 June 2015. After the share split, the total number of ordinary shares of the Company increased from 253,913,216 shares to 1,269,566,080 shares.

(b) On 8 July 2015, the Company issued 423,189,500 new ordinary shares at HK$8.18 per share by way of initial public offering. The gross proceeds amounted to HK$3,461,690,000 (equivalent to RMB2,730,720,000). On the same date, the Company's shares were listed on the Stock Exchange.

On 29 July 2015, the over-allotment option described in the prospectus of the Company dated 24 June 2015 was partially exercised and an additional 23,549,000 ordinary shares were issued on 5 August 2015 at a price of HK$8.18 per share with gross proceeds of HK$192,631,000 (equivalent to RMB152,005,000).

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Capital reserve

The capital reserve represents the share-based compensation reserve comprising the fair value of the shares awarded under the share transfer to the management of the Group (note 26) recognised in accordance with the accounting policy adopted for equity compensation benefits.

Statutory reserve

Pursuant to the relevant laws and regulations and the articles of association of the subsidiaries of the Company in the Mainland China, if a subsidiary is registered as a Sino-foreign joint venture, it is required to, at the discretion of the board of directors, transfer a portion of their profits after taxation reported in their statutory financial statements prepared under the applicable PRC accounting standards to the statutory surplus reserve.

If a subsidiary is registered as a wholly-foreign-invested enterprise or a domestic limited liability company, it is required to appropriate 10% of each year's statutory net profits to the statutory surplus reserve according to the PRC accounting standards and regulations (after offsetting previous years' losses) to the statutory surplus reserve. The PRC subsidiary may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contributions to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors. The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to owners. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the PRC subsidiary. The statutory reserve can be transferred to paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of its registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with a functional currency other than RMB.

26. SHARE-BASED PAYMENTS

On 10 October 2014, arrangements were entered into for CITIC Capital and Jublon to transfer a total of 5,177,976 shares of the Company (3% of total shares issued as at 10 October 2014) to three BVI companies which are wholly owned by the chief executive officer, the chief financial officer and 11 management personnel of the Group respectively, for a consideration of US$1.14 per share. The consideration was below the fair value of the shares, which is determined by a professional valuer engaged by the Group, using the market approach, at US$2.18 per share as of 28 September 2014, the grant date.

The shares were transferred to these management personnel of the Group at below fair value as incentives for the management to grow and develop the Group and prepare the Company for its initial public offering (the "IPO"). The shares transferred are subject to various conditions, including the successful IPO of the Company, the management personnel not being dismissed due to a serious breach of employee agreements, company's regulations or incompetence and they remaining in service at the end of 12 months after the completion of the IPO.

In relation to the transferred shares that CITIC Capital and Jublon had indirectly transferred to the management personnel, the total amount of share-based payment expenses that will be amortised over the vesting period was RMB33,302,388, being the difference between the fair value of the shares at the grant date and the considerations paid by the management personnel. Accordingly, the Group recognised an expense of RMB9,364,000 for the year ended 31 December 2016 (2015: RMB19,211,000) in respect of such share-based payments.

27. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in notes 16, 18 and 21 to the financial statements.

28. CONTINGENT LIABILITIES

At the end of the year, contingent liabilities that not provided for in the financial statements were as follows:

	2016 **RMB'000**	2015 RMB'000
Legal proceedings:		
Claimed amounts	**–**	1,278

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased its medical equipment (note 12 to financial statements) under operating lease arrangements, with lease terms of more than five years.

Under the lease contracts, all rentals that the Group receives are contingent rentals based on the monthly gross or net income generated by operating the medical equipment.

(b) As lessee

The Group leases certain properties as its office premises under operating lease arrangements. Lease terms for properties ranged from one to three years.

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**21,400**	20,240
In the second to fifth years, inclusive	**15,560**	19,961
	36,960	40,201

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments and credit commitments at the end of the reporting period:

(a) Capital commitments

	2016 **RMB'000**	2015 RMB'000
Contracted, but not provided for	**6,106**	5,628

Except for the capital commitments listed above, the Group entered into a Cooperation Agreement with First Affiliated Hospital of Xi'an Jiaotong University ("First Affiliated Hospital") on 30 August 2016, pursuant to which the Group has agreed to (i) establish a wholly owned project company (the "Project Company") to construct Xi'an Jiaotong University International Land Port Hospital ("International Land Port Hospital") for First Affiliated Hospital (the "Project Construction"), provide a total amount of no more than RMB2 billion in cash to fund the project and manage and operate International Land Port Hospital in a manner as agreed by both parties after completion of the Project Construction; and (ii) through the Project Company, make a capital contribution of RMB28 million to establish a company with First Affiliated Hospital to provide services including procurement and logistics to International Land Port Hospital, First Affiliated Hospital and other third party hospitals. As at 31 December 2016, the Group has not made any payment for the Project Construction.

(b) Credit commitments

	2016 **RMB'000**	2015 RMB'000
Credit commitments	**1,316,461**	804,604

Credit commitments represent undrawn finance lease facilities agreed and granted to customers. They are conditionally revocable commitments.

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 16, 17, 18, 19, 20 and 21 to the financial statements, the Group had the following material transactions with related parties during the year.

(a) Transactions with Genertec Group and companies under Genertec Group

Genertec Group was established in 1988 and is a wholly-state-owned company. Genertec Group's businesses principally cover five sectors, including equipment manufacturing, trade and engineering contracting, pharmaceutical industry, technical services and consultancy, as well as construction and real estate. Genertec Group is a major shareholder of the Company.

The companies under Genertec Group which had transactions with the Group during the year are subsidiaries of Genertec Group.

(i) Sales of goods to a related party:

	2016 RMB'000	2015 RMB'000
China National Instruments Import & Export (Group) Corporation	–	2,427

The sales to the related party were made on terms mutually agreed between the Group and the related party.

(ii) Interest income from cash at banks:

	2016 RMB'000	2015 RMB'000
Genertec Finance Co., Ltd.	**3,805**	4,076

The interest was charged at rates ranging from 0.46% to 1.27% per annum.

(iii) Purchases of products and leased assets from a related party:

	2016 RMB'000	2015 RMB'000
Genertec Italia s.r.l.	–	906

The purchases from the related party were made on terms mutually agreed between the Group and the respective party.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with Genertec Group and companies under Genertec Group (continued)

(iv) Rental expenses:

	2016 RMB'000	2015 RMB'000
China General Technology (Group) Holding., Limited	**3,358**	3,685
General Technology Group Property Management Ltd.	**10,721**	10,945
Paryocean Properties Co., Ltd.	**593**	486

The rental expenses paid to related parties are changed based on terms mutually agreed between the Group and the respective parties.

(v) Interest expenses on borrowings:

	2016 RMB'000	2015 RMB'000
Genertec Hong Kong International Capital Limited	**–**	12,935
Genertec Finance Co., Ltd.	**9,047**	10,509

The interest expenses were charged at rates ranging from 4.35% to 4.75% per annum.

(vi) Consulting service fees:

	2016 RMB'000	2015 RMB'000
China National Instruments Import & Export (Group) Corporation	**585**	377
China General Consulting & Investment Co., Ltd.	**113**	113
Genertec America, Inc	**132**	–
Euromapex Import & Export GMBH	**–**	305
Genertec (Beijing) Investment Fund Management Co., Ltd.	**–**	1,887

The consulting service expenses were charged based on prices mutually agreed between the parties.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with Genertec Group and companies under Genertec Group (continued)

(vii) Transportation expense:

	2016 RMB'000	2015 RMB'000
Genertec International Logistics Co., Ltd.	–	131

The transportation expense was charged based on prices mutually agreed between the parties.

(viii) Finance lease income:

	2016 RMB'000	2015 RMB'000
Harbin Measuring & Cutting Tool Group Co., Ltd.	**267**	1,069
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.	**103**	411

The finance lease income was charged at rates ranging from 4.75% to 6.01% per annum.

The related party transactions in respect of items (i), (ii), (iii), (iv), (vi), (vii) and (viii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Significant transactions with other government-related entities

The largest shareholder of the Company is a state-owned enterprise. In accordance with HKAS 24 "Related Party Disclosures", government-related entities include entities that are directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government. On this basis, related parties include other government-related entities, in addition to Genertec Group and companies under Genertec Group.

During the year, the Group's significant transactions with other government-related entities constituted a large portion of the finance lease services and advisory services. In addition, substantially all restricted cash, time deposits, cash and cash equivalents and borrowings as at 31 December 2016 and 2015 and the relevant interest earned and paid during the years were transacted with banks and other financial institutions which are controlled by the PRC government.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel:

	2016 RMB'000	2015 RMB'000
Short term employee benefits	**11,940**	10,989
Equity-settled share award arrangements	**5,618**	11,526

32. TRANSFERS OF FINANCIAL ASSETS

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by transferring lease receivables to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain part of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated lease receivables by evaluating the extent to which it retains the risks and rewards of the assets.

As at 31 December 2016, lease receivables with an original carrying amount of RMB1,241,577,000 (2015: RMB1,241,577,000) have been securitised by the Group under arrangements in which the Group retained continuing involvement in such assets. As at 31 December 2016, the carrying amount of assets that the Group continued to recognise was RMB64,916,000 (2015: RMB64,916,000) and that of the associated liabilities, which represented the maximum amount of the cash flows the Group would forfeit under the subordination plus the consideration for the subordination, was RMB64,916,000 (2015: RMB64,916,000).

33. INTEREST IN THE UNCONSOLIDATED STRUCTURED ENTITY

The Group has interest in a structured entity arising from the securitisation transactions. The Group assessed and determined that the structured entity need not be consolidated as the Group has no control over it. As at 31 December 2016, the Group's interest in the unconsolidated structured entity, which was recognised as an available-for-sale investment, amounted to RMB20,955,000 (31 December 2015: RMB20,955,000). As at 31 December 2016, the carrying amount of the associated liabilities, which represented the maximum amount of the cash flows the Group would forfeit under the subordination, amounting to RMB20,955,000 was recognised and included in other liabilities (31 December 2015: RMB20,955,000). Neither the holders of preferential tranches nor the holders of subordinated tranches have contractual obligations for any financial support to the structured entity.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Financial assets

	2016 RMB'000	2015 RMB'000
Loans and receivables:		
Loans and accounts receivable	**26,760,535**	21,316,958
Financial assets included in prepayments, deposits and other receivables	**14,079**	96,709
Restricted deposits	**660,406**	153,705
Cash and cash equivalents	**1,272,458**	1,865,670
	28,707,478	23,433,042
Financial assets at fair value through profit or loss:		
Derivative financial assets	**7,828**	28
Available-for-sale financial assets:		
Available-for-sale investments	**64,916**	64,916
	28,780,222	23,497,986

Financial liabilities

	2016 RMB'000	2015 RMB'000
Financial liabilities at amortised cost:		
Trade payables	**194,333**	94,773
Financial liabilities included in other payables and accruals	**2,251,451**	1,852,226
Interest-bearing bank and other borrowings	**19,485,459**	15,458,354
	21,931,243	17,405,353

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value on the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivable, financial assets included in deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank and borrowings.

Cash and bank balances, restricted deposits, accounts receivable, notes receivable, current portion of financial assets included in deposits and other receivables, trade payables, short-term borrowings and current portion of financial liabilities included in other payables and accruals

Substantially all of the financial assets and liabilities mature within one year from the end of each reporting period and their carrying values approximate to their fair values.

Lease receivables and interest-bearing bank and other borrowings excluding bonds issued and short-term borrowings

Substantially all of the lease receivables and interest-bearing bank and other borrowings excluding bonds issued and short-term borrowings, are on floating rate terms, bear interest at prevailing market interest rates, and their carrying values approximate to their fair values.

Bonds issued

The fair value of the bonds is calculated based on quoted market prices or a discounted cash flow model that is used based on a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued which are included in interest-bearing bank and other borrowings not presented at fair value on the statement of financial position as at 31 December 2016.

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bonds issued	**7,135,184**	4,297,487	**7,074,561**	4,335,590

Non-current portion of financial assets included in deposits and other receivables and non-current portion of financial liabilities included in other payables and accruals

The fair values of the non-current portion of financial assets included in deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and fair values of those financial assets and liabilities are not significant.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value

Interest rate swap contracts

The Group enters into several derivative financial instrument contracts with two counterparties, both are interest rate swaps measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs including the credit quality of counterparties and yield curves.

Asset-backed securities

The fair value of the asset-backed securities recognised as available-for-sale investments is measured using a discounted cash flow analysis that calculates the fair value based on valuation inputs such as default rate, loss given default, prepayment rate and yield of the securities' underlying assets. These inputs require an assessment of the securities' underlying assets.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

The fair value of the available-for-sale investments is based on unobservable inputs including default rate, loss given default, prepayment rate and yield. As at 31 December 2016, fair value changes resulting from changes in the unobservable inputs were not significant.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value:

As at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Interest rate swap contracts	**–**	**7,828**	**–**	**7,828**
Available-for-sale investments				
– Asset-backed securities	**–**	**–**	**64,916**	**64,916**

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Interest rate swap contracts	–	28	–	28
Available-for-sale investments				
– Asset-backed securities	–	–	64,916	64,916

Liabilities for which fair values are disclosed:

As at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	**6,293,764**	**780,797**	**–**	**7,074,561**

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	3,396,884	938,706	–	4,335,590

During the year ended 31 December 2016, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease receivables, trade payables, interest-bearing bank and other borrowings, cash and short term deposits. The main purpose of interest-bearing bank and other borrowings is to finance the Group's operations while other financial assets and liabilities such as lease receivables and trade payables are directly related to the Group's operating activities.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and lease receivables.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such risk mitigation measure.

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, to the Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

	Increase/(decrease) in profit before tax As at 31 December	
	2016	2015
	RMB'000	RMB'000
Change in basis points		
+ 100 basis points	**105,799**	92,855
– 100 basis points	**(105,799)**	(92,855)

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities move by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's assets and liabilities:

	As at 31 December 2016					
	Non-interest-bearing RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	4,982	15,789,508	6,233,012	4,713,446	19,587	26,760,535
Financial assets included in prepayments, deposits and other receivables	14,079	–	–	–	–	14,079
Restricted deposits	–	219,906	440,500	–	–	660,406
Available-for-sale investments	–	–	–	64,916	–	64,916
Derivative financial assets	–	7,828	–	–	–	7,828
Cash and cash equivalents	12	1,272,446	–	–	–	1,272,458
Total financial assets	19,073	17,289,688	6,673,512	4,778,362	19,587	28,780,222
FINANCIAL LIABILITIES:						
Trade payables	194,333	–	–	–	–	194,333
Financial liabilities included in other payables and accruals	392,820	5,797	86,638	1,765,511	685	2,251,451
Interest-bearing bank and other borrowings	–	6,597,956	6,022,710	6,864,793	–	19,485,459
Total financial liabilities	587,153	6,603,753	6,109,348	8,630,304	685	21,931,243
Interest rate risk exposure	(568,080)	10,685,935	564,164	(3,851,942)	18,902	6,848,979

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

	As at 31 December 2015					
	Non-interest-bearing RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	4,826	13,408,969	5,229,719	2,673,444	–	21,316,958
Financial assets included in prepayments, deposits and other receivables	96,709	–	–	–	–	96,709
Restricted deposits	–	130,718	8,932	14,055	–	153,705
Available-for-sale investments	–	–	–	64,916	–	64,916
Derivative financial assets	28	–	–	–	–	28
Cash and cash equivalents	40	1,865,630	–	–	–	1,865,670
Total financial assets	101,603	15,405,317	5,238,651	2,752,415	–	23,497,986
FINANCIAL LIABILITIES:						
Trade payables	94,773	–	–	–	–	94,773
Financial liabilities included in other payables and accruals	149,687	6,192	62,498	1,633,849	–	1,852,226
Interest-bearing bank and other borrowings	–	5,575,224	5,383,520	4,499,610	–	15,458,354
Total financial liabilities	244,460	5,581,416	5,446,018	6,133,459	–	17,405,353
Interest rate risk exposure	(142,857)	9,823,901	(207,367)	(3,381,044)	–	6,092,633

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency).

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US$, and to a lesser extent, other currencies. The Group's exposure to treasury operations mainly arises from its transactions in currencies other than RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The exchange rate of US$ to RMB is managed under a floating exchange rate system. The HK$ exchange rate has been pegged to US$ and therefore the exchange rate of HK$ to RMB has fluctuated in line with the changes in the exchange rate of US$ to RMB.

The table below indicates a sensitivity analysis of the exchange rate change of the currency to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period kept unchanged and, therefore, it have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

Currency		Change in foreign exchange rate	Increase/(decrease) in profit before tax As at 31 December	
			2016	2015
		%	**RMB'000**	RMB'000
US$/HK$	If RMB strengthens against US$/HK$	(1)	**(493)**	(984)
	If RMB weakens against US$/HK$	1	**493**	984

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows:

	As at 31 December 2016				
(In RMB'000 equivalent)	RMB	US$	HK$	Others	Total
FINANCIAL ASSETS:					
Loans and accounts receivables	26,760,535	–	–	–	26,760,535
Financial assets included in prepayments, deposits and other receivables	13,918	–	161	–	14,079
Restricted deposits	219,906	440,500	–	–	660,406
Available-for-sale investments	64,916	–	–	–	64,916
Derivative financial assets	–	7,828	–	–	7,828
Cash and cash equivalents	633,705	608,733	23,156	6,864	1,272,458
Total financial assets	27,692,980	1,057,061	23,317	6,864	28,780,222
FINANCIAL LIABILITIES:					
Trade payables	194,185	–	–	148	194,333
Financial liabilities included in other payables and accruals	2,250,210	1,240	1	–	2,251,451
Interest-bearing bank and other borrowings	18,455,632	1,029,827	–	–	19,485,459
Total financial liabilities	20,900,027	1,031,067	1	148	21,931,243
Net position	6,792,953	25,994	23,316	6,716	6,848,979

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (continued)

	As at 31 December 2015				
(In RMB'000 equivalent)	RMB	US$	HK$	Others	Total
FINANCIAL ASSETS:					
Loans and accounts receivables	21,316,937	21	–	–	21,316,958
Financial assets included in prepayments, deposits and other receivables	96,571	–	138	–	96,709
Restricted deposits	153,705	–	–	–	153,705
Available-for-sale investments	64,916	–	–	–	64,916
Derivative financial assets	–	28	–	–	28
Cash and cash equivalents	569,045	1,222,803	66,601	7,221	1,865,670
Total financial assets	22,201,174	1,222,852	66,739	7,221	23,497,986
FINANCIAL LIABILITIES:					
Trade payables	94,735	–	–	38	94,773
Financial liabilities included in other payables and accruals	1,849,637	2,488	101	–	1,852,226
Interest-bearing bank and other borrowings	14,269,715	1,188,639	–	–	15,458,354
Total financial liabilities	16,214,087	1,191,127	101	38	17,405,353
Net position	5,987,087	31,725	66,638	7,183	6,092,633

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with the recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, derivative financial assets, available-for-sale investments and financial assets included in deposits and other receivables. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

Credit risk is often greater when lessees are concentrated in one single industry or geographical location or have comparable economic characteristics. Customers of the Group are diversely located in Mainland China. Lessees of the Group are from different industries as follows:

	As at 31 December 2016		As at 31 December 2015	
	RMB'000	**%**	RMB'000	%
Net lease receivables				
Healthcare	**19,449,931**	**72**	16,692,512	77
Education	**6,455,597**	**24**	4,076,706	19
Others	**1,254,613**	**4**	831,434	4
	27,160,141	**100**	21,600,652	100
Less: Impairment provision for lease receivables	**404,588**		288,520	
Net	**26,755,553**		21,312,132	

As the customers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group.

The quantitative data of exposure to credit risk arising from available-for-sale investments, derivative financial assets, loans and accounts receivable, deposits and other receivables, and credit commitments are set out in notes 13, 14, 16, 17 and 30, respectively.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The analysis of financial assets which are neither past due nor impaired is as follows:

Group

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Net lease receivables	**26,936,292**	21,393,331
Accounts receivable	**2,205**	4,826
Notes receivable	**2,777**	–
Deposits and other receivables	**14,079**	96,709
Available-for-sale investments	**64,916**	64,916
Derivative financial assets	**7,828**	28

As 31 December 2016, the assets which are past due but are not considered impaired amounted to RMB3,784,000 (2015: RMB39,057,000), the aging analysis of which is as follows:

2016

	Less than 90 days RMB'000	**90 days to 1 year RMB'000**	**1 year to 3 years RMB'000**	**Over 3 years RMB'000**	**Total RMB'000**
Net lease receivables	**3,784**	**–**	**–**	**–**	**3,784**

2015

	Less than 90 days RMB'000	90 days to 1 year RMB'000	1 year to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Net lease receivables	39,057	–	–	–	39,057

When the rental for a period is past due by one day as at each reporting date, the whole lease receivable is classified as past due.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Lease receivables that were past due but not impaired related to a number of independent customers that have good track records with the Group. Based on past experience, the directors of the Company are of the opinion that these balances are not considered impaired as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The analysis of financial assets which are impaired is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Net lease receivables	**220,065**	168,264

Impaired lease receivables are defined as those lease receivables having objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of the lease receivables that can be reliably estimated.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

The Group manages its liquidity risk through maintaining flexibility in funding by keeping sufficient available loan facilities or loan commitments provided by banks and other financial institutions, making projections of future cash flows and evaluating the appropriate net current asset/liability position, and maintaining an efficient internal funds transfer mechanism within the Group.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows:

	As at 31 December 2016					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	92,916	2,005,430	6,834,951	22,803,882	298,433	32,035,612
Financial assets included in prepayments, deposits and other receivables	–	180	13,899	–	–	14,079
Restricted deposits	–	220,122	447,107	–	–	667,229
Available-for-sale investments	–	–	–	64,916	–	64,916
Derivative financial assets	–	–	7,828	–	–	7,828
Cash and cash equivalents	1,272,458	–	–	–	–	1,272,458
Total financial assets	1,365,374	2,225,732	7,303,785	22,868,798	298,433	34,062,122
FINANCIAL LIABILITIES:						
Trade payables	2,177	178,685	13,471	–	–	194,333
Financial liabilities included in other payables and accruals	82,968	201,785	90,753	2,100,284	1,000	2,476,790
Interest-bearing bank and other borrowings	–	2,438,855	4,586,343	14,204,857	–	21,230,055
Total financial liabilities	85,145	2,819,325	4,690,567	16,305,141	1,000	23,901,178
Net liquidity gap	1,280,229	(593,593)	2,613,218	6,563,657	297,433	10,160,944

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	As at 31 December 2015					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	71,926	1,712,902	5,757,061	18,028,690	2,715	25,573,294
Financial assets included in prepayments, deposits and other receivables	–	479	14,057	82,173	–	96,709
Restricted deposits	–	130,831	9,237	14,702	–	154,770
Available-for-sale investments	–	–	–	64,916	–	64,916
Derivative financial assets	–	–	28	–	–	28
Cash and cash equivalents	1,865,670	–	–	–	–	1,865,670
Total financial assets	1,937,596	1,844,212	5,780,383	18,190,481	2,715	27,755,387
FINANCIAL LIABILITIES:						
Trade payables	54	78,698	11,426	4,595	–	94,773
Financial liabilities included in other payables and accruals	6,171	59,412	65,280	1,998,270	–	2,129,133
Interest-bearing bank and other borrowings	–	1,966,021	6,370,035	8,342,663	–	16,678,719
Total financial liabilities	6,225	2,104,131	6,446,741	10,345,528	–	18,902,625
Net liquidity gap	1,931,371	(259,919)	(666,358)	7,844,953	2,715	8,852,762

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's credit commitments based on contractual undiscounted cash flows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Credit commitments:		
Less than 3 months	**420,000**	522,074
3 to 12 months	**896,461**	282,530
	1,316,461	804,604

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year.

The Group monitors capital risk using a gearing ratio, which is calculated as bank and other borrowings divided by total equity. The gearing ratios as at the reporting date which were within the Group's policy are as follows:

Group

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Bank and other borrowings	**19,485,459**	15,458,354
Total equity	**6,574,391**	5,881,200
Gearing ratio	**296%**	263%

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CULC and Universal International Financial Leasing (Tianjin) Co., Ltd. ("TJ-Leasing")

The primary objective of the capital management of CULC and TJ-Leasing, principal subsidiaries of the Group located in Mainland China, is to ensure that they comply with the regulatory requirements of the Ministry of Commerce of the PRC (the "MOFCOM") in addition to the general requirements that are relevant to the Group. In accordance with the "Administration of Foreign Investment in the Leasing Industry" promulgated by the MOFCOM on 3 February 2005 and other relevant laws and regulations, CULC and TJ-Leasing have set up appropriate business development and capital management programs and established a comprehensive evaluation system. They actively adjust the capital structure in light of changes in the market and the risks being confronted by adjusting their dividend policy or financing channels. During the year, there were no significant changes in the policies or processes for managing the capital of CULC and TJ-Leasing.

In accordance with the aforementioned requirements of the MOFCOM, CULC and TJ-Leasing should maintain its risky assets ("Risky Assets") within 10 times of its equity. Risky Assets shall be determined on the basis of the total assets less cash, bank deposits, government bonds and entrusted lease assets. The calculations of the ratios of the Risky Assets to equity as at each reporting date are as follows:

CULC

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Total assets	**27,283,326**	23,144,099
Less: Cash and cash equivalents	**(1,008,332)**	(1,761,654)
Total Risky Assets	**26,274,994**	21,382,445
Equity	**5,740,208**	5,298,695
Ratio of Risky Assets to equity	**4.58**	4.04

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CULC and Universal International Financial Leasing (Tianjin) Co., Ltd. ("TJ-Leasing") (continued)

TJ-Leasing

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Total assets	**4,941,251**	2,229,852
Less: Cash and cash equivalents	**(141,102)**	(21,347)
Total Risky Assets	**4,800,149**	2,208,505
Equity	**1,207,769**	1,028,422
Ratio of Risky Assets to equity	**3.97**	2.15

37. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent events undertaken by the Group after 31 December 2016.

38. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**4,290,826**	4,290,826
CURRENT ASSETS		
Accounts receivable	**–**	21
Prepayments, deposits and other receivables	**4,494**	3,623
Dividend receivable from a subsidiary	**275,500**	209,000
Tax recoverable	**1,149**	862
Cash and cash equivalents	**67,090**	80,574
Total current assets	**348,233**	294,080
CURRENT LIABILITIES		
Trade payables	**148**	38
Other payables and accruals	**14,648**	22,988
Other liabilities	**–**	8,000
Total current liabilities	**14,796**	31,026
NET CURRENT ASSETS	**333,437**	263,054
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,624,263**	4,553,880
NON-CURRENT LIABILITIES		
Other payables and accruals	**1,233**	–
Net assets	**4,623,030**	4,553,880
EQUITY		
Share capital	**4,327,842**	4,327,842
Reserves (note)	**295,188**	226,038
Total equity	**4,623,030**	4,553,880

Guo Weiping
Director

Peng Jiahong
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve and contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2016	**23,938**	**–**	**202,100**	**226,038**
Profit for the year	**–**	**–**	**248,269**	**248,269**
Equity-settled share award arrangements	**9,364**	**–**	**–**	**9,364**
Dividends	**–**	**–**	**(188,483)**	**(188,483)**
At 31 December 2016	**33,302**	**–**	**261,886**	**295,188**
Balance at 1 January 2015	4,742	(26,204)	657	(20,805)
Profit for the year	–	–	201,426	201,426
Equity-settled share award arrangements	19,211	–	–	19,211
Effect of change in functional currency	(15)	27,579	17	27,581
Other comprehensive income	–	(1,375)	–	(1,375)
At 31 December 2015	23,938	–	202,100	226,038

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2017.

環球醫療金融與技術咨詢服務有限公司

UNIVERSAL MEDICAL FINANCIAL & TECHNICAL ADVISORY SERVICES COMPANY LIMITED

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