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

2017

Interim Report

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*

Independent Non-executive Directors

Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Kong Wei
Mr. Han Demin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Chow Siu Lui *(Chairman)*
Mr. Jiang Xin#
Mr. Han Demin
Mr. Zeng Yu*

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

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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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

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

www.universalmsm.com

STOCK CODE

2666

Appointed with effect from 4 August 2017
* Resigned with effect from 4 May 2017

DEFINITION

"Articles"	the Company's article of association
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"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
"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
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"CVA"	cerebral vascular accident
"Director(s)"	the director(s) of the Company
"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)

"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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"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
"International Land Port Hospital"	public not-for-profit First Affiliated Hospital of Xi'an Jiaotong University International Land Port Hospital to be promoted by First Affiliated Hospital
"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 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
"PRC" or "China"	The People's Republic of China, for the purpose of this interim 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
"Shaanxi Huahong"	Shaanxi Huahong Medical Company Limited (陝西華虹醫藥有限公司), an indirect subsidiary of the Company
"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
"USD"	United States dollars, the lawful currency of the United States
"Xi'an Wanheng" or "OPCO"	Xi'an Wanheng Medical Technology Development Co., Ltd. (西安萬恒醫療科技發展有限公司), a company established jointly by Universal Medical and First Affiliated Hospital, through their respective wholly-owned subsidiaries, on 13 January 2017

CORPORATE PROFILE

Universal Medical 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 outstanding 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), which is one of the key state-owned enterprises under direct administration of the PRC central government and is also a Fortune Global 500 company.

Since the incorporation of the Company, leveraging on our considerable insights into healthcare industry, ample experience of serving hospitals over the years, strong financial position and proficient business sourcing 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 institutions in China and services providers in America and European countries, including those from the United States, the United Kingdom and Germany. Through our continuous expansion of healthcare resources, we have established a unique and innovative business model to provide customers with integrated healthcare solutions, comprising healthcare financial services, hospital investment and management services, healthcare technology services with clinical department upgrade as the core and hospital digitalization services. We are headquartered in Hong Kong and have set up an operation center in Beijing. We have also 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 opened offices in central cities of various provinces in China such as Guangdong, Shaanxi, Shandong, Henan, Hunan, Sichuan and Heilongjiang, which further strengthened our business network featuring regional centers, which led business efforts in surrounding areas, and national coverage.

We will strive to firmly seize good opportunities from the growing healthcare industry in China and continue to be committed to promoting the development of China's healthcare service industry. We will establish strategic alliances with a broad range of domestic and foreign leading professional healthcare institutions, well-known experts and international medical equipment suppliers, expand our healthcare resources platform, reinforce our foundation for development and enrich our professional services to fulfil our social responsibilities during our development and enhance our corporate value through continuous innovation.

PERFORMANCE OVERVIEW

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating Results		
Income	**1,653,892**	1,251,076
Finance lease income*	**1,190,330**	915,142
Industry, equipment and financing advisory income*	**352,034**	264,469
Clinical department upgrade services income*	**84,445**	69,716
Other business income*	**27,083**	1,749
Cost of sales	**(574,295)**	(465,356)
Interest expense	**(536,503)**	(455,781)
Cost of clinical department upgrade services	**(15,106)**	(9,575)
Cost of other business	**(22,686)**	–
Profit before tax	**799,908**	546,847
Profit for the period	**578,915**	389,545
Basic and diluted earnings per share *(RMB)*	**0.34**	0.23
Profitability Indicators		
Return on total assets(1)	**3.81%**	3.18%
Return on equity(2)	**17.19%**	13.01%
Net interest margin(3)	**4.57%**	4.24%
Net interest spread(4)	**3.64%**	3.16%
Net profit margin(5)	**35.00%**	31.14%
Cost to income ratio(6)	**23.23%**	25.40%

* After taxes and surcharges.

(1) Return on total assets = profit for the period/average balance of assets at the beginning and end of the period, presented on an annualized basis;

(2) Return on equity = profit for the period/average balance of equity at the beginning and end of the period, presented on an annualized basis;

(3) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets, presented on an annualized basis;

(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 period; 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 period;

(5) Net profit margin = net profit/income;

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Assets and Liabilities		
Total assets	**31,860,269**	28,964,583
Net lease receivables	**29,961,226**	27,160,141
Total liabilities	**24,961,198**	22,390,192
Interest-bearing bank and other borrowings	**22,070,489**	19,485,459
Total equity	**6,899,071**	6,574,391
Net assets per share *(RMB)*	**4.02**	3.83
Financial Indicators		
Debt ratio(1)	**78.35%**	77.30%
Gearing ratio(2)	**3.20**	2.96
Current ratio(3)	**1.28**	1.25
Asset Quality		
Non-performing assets ratio(4)	**0.78%**	0.81%
Provision coverage ratio(5)	**183.44%**	183.85%
Write-off of non-performing assets ratio(6)	**0.00%**	0.00%
Overdue ratio (over 30 days)(7)	**0.62%**	0.51%

(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 interest-earning assets;

(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 year;

(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

Broadness and Abundancy, Selectivity and Action

Since the incorporation of the Group, we have accumulated and integrated extensive domestic and overseas quality healthcare resources, and continuously promoted the coordinated development of various business segments. Adhering to the spirit of "broadness and abundancy, selectivity and action", we have continuously consolidated our operational foundation and achieved a steady growth in operating results for years. In the first half of 2017, the Group's revenue increased by 32.2% to RMB1,653.9 million, and profit before tax increased by 46.3% to RMB799.9 million as compared to the corresponding period of last year. Net interest spread of the Group's finance lease business hit a new high of 3.64%.

Broadness and **Abundancy**: through years of development and accumulation, the Group has gradually developed a rich resource reserve and a solid business foundation.

- **Central SOE background:** GT-PRC, the Group's controlling shareholder, is a central SOE with its development focus on healthcare sector, providing strong support to the Group's various business operations.

- **Resources platform:** strategic partnership with over 60 internationally leading healthcare institutions and cooperation with over 200 experts and academic leaders in different disciplines are a unique competitive strength of the Group.

- **Hospital customers:** the Group has over 1,000 hospital customers, over 80% of which each has an annual income of more than RMB100 million, which have become an effective customer base for the coordinated development of our various businesses.

- **Specialization:** leveraging on years of in-depth understanding of the healthcare industry, the Group has strong industry insights, project screening capability, project evaluation system and project designing capability, which enables us to craft customized solutions according to different operational conditions of our hospital customers.

Selectivity and **Action**: through continuous efforts, the Group has accumulated various and extensive resources and consolidated its operational foundation and has been striving to achieve its development goals.

- **Unshakable strategy:** firmly seizing the opportunities arising from healthcare reform and market changes, the Group continuously consolidates its foundation to become an integrated healthcare services provider in healthcare finance, hospital investment and management, healthcare technology services as well as healthcare digitalization.

- **Talent reserve:** the Group continues to build a strong internal talents pool, and openly recruits professionals experienced in hospital management, hospital construction and supply chain operation to fully improve its talent quality.

- **Efficient execution:** adhering to the integrated development strategy, the Group acts on customer needs and market changes promptly with intra-department collaboration to effectively achieve the orderly and coordinated development of its various business segments.

- **Consolidated resources:** leveraging on its advantage in domestic and overseas resources and through consolidating its resources, the Group provides its hospital customers with funding, optimised mechanism and talent training for the overall improvement of their comprehensive strengths.

1.1 Hospital Investment and Management Business – Move Steadily Forward for Win-win Cooperation

In the development of hospital investment and management business, the Group has formed its unique development strategy in respect of geographical selection, hospital positioning, cooperation model and business deployment by closely following the changes in policies and market, and leveraging on its advantage in resources. The Group has signed a definitive agreement on the joint establishment of International Land Port Hospital with First Affiliated Hospital, a large-scale comprehensive Grade III Class A hospital administered directly by the NHFPC; meanwhile, the Group also entered into framework agreements with a number of hospitals in various regions, where a number of projects are under negotiation.

Joint establishment of International Land Port Hospital by the Group and First Affiliated Hospital

Project Overview:

First Affiliated Hospital is a large-scale comprehensive Grade III Class A hospital administered directly by the NHFPC with leading medical technology and service quality in Northwest China. International Land Port Hospital is a new branch of First Affiliated Hospital. The total investment amount for this project will be no more than RMB2 billion. In return, we are entitled to the construction and operation right of International Land Port Hospital as well as the exclusive business cooperation right with International Land Port Hospital and First Affiliated Hospital. Please refer to the announcement published by the Company on 30 August 2016 and the circular published on 21 October 2016 for details.

Overall Aerial View of Northeast Hospital

Project Progress:

Since the Group signed the definitive agreement in relation to the joint establishment of International Land Port Hospital with First Affiliated Hospital, both parties have been jointly pushing forward the implementation of various project details. In particular, both parties have established their respective dedicated teams for timely work connection and communication as well as the formulation of the project execution timetable.

Steadily and fully implement the planning and construction of International Land Port Hospital

International Land Port Hospital is positioned as a medical technology highland located in Northwest China with nationwide coverage. In this regard, while establishing a disciplinary planning team with expertise in clinical medicine, epidemiology and hospital management, the Group developed a core work platform for disciplinary planning with clinical experts from First Affiliated Hospital. Based on thorough investigation into the local medical and health policies, epidemiology and the current situations of major local hospitals, both parties jointly drafted a clinical department plan which was in line with the healthcare market development and hospital development positioning. Focusing on the key targeted disciplines including tumour, maternity and reproduction, neurology, angiocarpy and orthopedics, the clinical department plan sets out scientific and precise designing for technical improvement, equipment configuration and management procedure, in order to develop International Land Port Hospital into a platform integrating key disciplines with high construction standards and advanced technologies.

Exterior View of the Storage Logistics Zone of Shaanxi Huahong

International Land Port Hospital is making efforts to fully integrate disciplinary functions and medical building to achieve a unification of function line and space optimization at the design level so as to lay a foundation for the highly efficient operation of the hospital in the future. In this regard, on the basis of extensive communication on the clinical department plan between both parties, and through public tender and stringent review, a consortium comprising a well-known PRC company China IPPR International Engineering Company Limited and an internationally top-notch design company Tengbom was designated as the project designer. Currently, the designing work is in the course of plan optimization. The designing will adhere to the latest medical designing idea and the most strict construction standards so as to lay a sound basis for the construction of an internationalized and intelligent hospital. In addition, the temporary electricity engineering, geological prospecting and engineering management are also progressing in an orderly manner.

Fully carry on various tasks in respect of exclusive and transparent procurement services under supply chain business

In order to smoothly carry on the supply chain business in relation to First Affiliated Hospital and International Land Port Hospital, and to steadily implement the exclusive and transparent procurement services, the Group and First Affiliated Hospital jointly established the OPCO of the project in the first half of 2017. Subsequently, Xi'an Wanheng acquired Shaanxi Huahong with Good Supply Practice qualification, which will be the entity to provide the exclusive and transparent procurement services. Please refer to the announcements published by the Company on 10 January 2017 and 6 February 2017 respectively for details.

Up to now, the Group has established sound rules, policies and business procedural system for the aforesaid companies. Meanwhile, the Group has also conducted training on business and management for all the employees of Shaanxi Huahong, and completed the recruitment of new professional staff. As for warehouse expansion and renovation, the Group's newly-built warehouse of 5,000 sq.m. has the capacity to accommodate the procurement size of medicines and consumables required in the business cooperation, while a systematic hardware upgrade has been completed. The Group and First Affiliated Hospital have agreed to build up a transparent medical supplies procurement management platform at Xi'an Wanheng to manage all the drugs, consumables and medical equipment of First Affiliated Hospital. This platform will be the only gateway and supplier of First Affiliated Hospital to conduct all business connection matters including procurement, check-out and payment auditing. Meanwhile, Shaanxi Huahong will start to take charge of the delivery of drugs, consumables and medical equipment of First Affiliate Hospital in the second half of 2017.

Project overview of the joint establishment of a new eastern branch by the Group and Handan First Hospital (邯鄲市第一醫院):

On 31 August 2016, the Group entered into a framework agreement with Handan First Hospital in connection with the joint establishment of a new eastern branch. Handan First Hospital is a large-scale modernized comprehensive Grade III Class A hospital with integrated functions including healthcare, education, scientific research, prevention, health protection and rehabilitation and is a leading hospital in Hebei in terms of comprehensive capabilities. Currently, the cooperation terms for this project are under further negotiation.

1.2 Healthcare Finance Business – Forge Ahead at a Steady Pace

In the first half of 2017, the Group's healthcare finance business forged ahead against the backdrop of macroeconomic changes and maintained a good development momentum. The yield on interest-earning assets remained stable and the cost rate of interest-bearing liabilities decreased substantially, which resulted in the net interest spread increased by 0.48 percentage point from 3.16% in the first half of 2016 to 3.64% in the first half of 2017. Meanwhile, the Group's assets quality remained healthy during the first half of 2017.

- **Stable yield on interest-earning assets.** Benefiting from the steady development of customers, the average yield of the Group's interest-earning assets remained at a high level and was steady as compared to the corresponding period of last year. In the first half of 2017, the average yield of the Group's interest-earning assets was 8.28%, representing a decrease of 0.11 percentage point from 8.39% in the corresponding period of last year.

- **A substantial decrease in the cost rate of interest-bearing liabilities.** Since the end of 2016, affected by the interest rate hike by the Federal Reserve, the tightening liquidity in the PRC and other factors, it has been increasingly difficult to control financing cost. Nevertheless, in light of the changes in macro monetary policies, the Group has reasonably utilized various financing instruments to continuously optimize its financing structure. In the meantime, the Group benefited from certain long-term financing with low costs pre-arranged in the second half of 2016. As a result, the average cost rate of Group's interest-bearing liabilities in the first half of 2017 decreased to 4.64% from 5.23% in the corresponding period of last year.

- **Continuously improve financing capability and constantly optimise financing structure.** In light of complicated domestic and overseas financial market conditions, the Group actively adjusted its financing strategies and optimized its debt structure, which in turn continuously improved its financing structure and further enhanced its financing capability. Considering the significant increase in the capital cost in domestic bond market, the Group decreased the proportion of its bond financing, and increased the proportion of bank loans. As of 30 June 2017, bond financing accounted for 27.4% of the total interest-bearing liabilities, representing a decrease of 9.2 percentage points from 36.6% as at 31 December 2016. In addition, after taking into account exchange lock-in costs, taxes and other factors, the Group's domestic financing still has certain cost advantage over its existing overseas financing. Therefore, after the repayment of some existing overseas financing, the Group reduced the proportion of its overseas financing to 3.7% as at 30 June 2017 from 14.0% as at 31 December 2016.

- **A steady growth in assets size with sustained good asset quality.** As at 30 June 2017, the Group's total assets amounted to RMB31,860.3 million, representing an increase of 10.0% as compared to the end of 2016. The proportion of healthcare assets in finance lease receivables was 67.3%, showing the Group's assets concentration in healthcare industry. Non-performing assets ratio was 0.78% and the overdue ratio (30 days) was 0.62%, representing a leading position in the industry. As we maintained a prudent provision policy, the Group's asset provision coverage ratio reached 183.44% as at 30 June 2017.

1.3 Clinical Department Upgrade Services – Expand the Way of Thinking and Give Play to Advantage

With continuous building up of healthcare resources, the Group has been exploring new models for its clinical department upgrade services. In the first half of 2017, the gross profit of the Group's clinical department upgrade services reached RMB69.3 million, representing an increase of 15.3% as compared to the corresponding period of last year.

The Group continued to promote innovative model of promoting sales by technology for CVA clinical department upgrade services. Through systematic training on CVA clinical diagnosis, treatment technologies and disease management, we have formulated customized plans for hospital customers according to their actual situations and development requirements, striving to improve their CVA prevention and treatment capabilities. The provision of the innovative clinical department upgrade services enabled the Group to integrate its capital, equipment and technical services more cohesively, laying a more solid foundation for its healthcare service business. During the advancement of the CVA project, the Group has successfully held academic seminars on CVA prevention and treatment for Chinese primary hospitals for six consecutive years, fully showcasing the idea and all-round service chain of Universal Medical to customers. This not only realized the promotion of medical technologies and sales of medical equipment under general agency but also brought the re-development of lease business and enhancing the Group's awareness in healthcare market.

1.4 Prospects for the Next Half of the Year

The Group will keep a steady growth during 2017 and achieve a synergetic development among different business segments. For the next half of the year, we will continue to firmly develop our healthcare financing business, making it a profit generator for the steady growth of the Group's results and a solid foundation for our innovative business development. Meanwhile, we will vigorously develop our hospital investment and management business, making it a catalyst for the rapid growth of the Group's results in the future.

The Group will carry out International Land Port Hospital project in a orderly and accelerated manner. As to supply chain, according to the project timeline and the strategic schedule jointly made with First Affiliated Hospital, the Group will further refine the monthly work targets. The Group will vigorously move forward the task of taking charge of the procurement and supply of medicines and consumables for First Affiliated Hospital, and it is expected that the Group will begin to take charge of this business in the second half of 2017. The Group and First Affiliated Hospital have formulated a reasonable working schedule for the designing of International Land Port Hospital, with the designing of main building to be completed by the end of the year. The Group will strictly control the progress and budget of the designing and construction of the hospital to ensure that the project will be completed as scheduled within the budget. Besides, the Group will continue to carry on other projects across the country including Handan First Hospital project.

2. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

2.1 Overview

In the first half of 2017, the Group firmly seized the new opportunities from the development of healthcare industry. With the strategic goal as an integrated healthcare services provider, the Group strengthened its business development, extensively expanded its healthcare resources platform, and continued to strengthen risk prevention and control, thereby achieving a rapid growth in its operating results. In the first half of 2017, the Group recorded a revenue of RMB1,653.9 million, representing an increase of RMB402.8 million, or 32.2%, as compared to the corresponding period of the previous year. Profit before tax was RMB799.9 million, representing an increase of RMB253.1 million, or 46.3%, as compared to the corresponding period of the previous year.

The following table sets forth the Group's statement of profit or loss for the six months ended 30 June 2017:

	For the six months ended 30 June		
	2017	2016	Change
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	**1,653,892**	1,251,076	32.2%
Cost of sales	**(574,295)**	(465,356)	23.4%
Gross profit	**1,079,597**	785,720	37.4%
Other income and gains	**9,949**	3,890	155.8%
Selling and distribution costs	**(157,916)**	(120,491)	31.1%
Administrative expenses	**(115,387)**	(119,025)	–3.1%
Other expenses	**(15,823)**	(3,247)	387.3%
Financial costs	**(512)**	–	100.0%
Profit before tax	**799,908**	546,847	46.3%
Income tax expense	**(220,993)**	(157,302)	40.5%
Profit for the period	**578,915**	389,545	48.6%
Basic and diluted earnings per share *(RMB)*	**0.34**	0.23	48.6%

2.2 Analysis of Business Revenue

Focusing on the healthcare sector while adhering to the integrated development strategy, the Group continuously optimized its business structure and strengthened its business innovation by solidifying its healthcare resources platform and expanding its hospital customer base. During the first half of 2017, the Group achieved a rapid growth in revenue from all business segments.

The following table sets forth the Group's gross profit by business segment:

	For the six months ended 30 June				
	2017		2016		
	Gross profit RMB'000 (Unaudited)	**% of total**	Gross profit RMB'000 (Unaudited)	% of total	Change
Finance lease	**653,827**	**60.6%**	459,361	58.5%	42.3%
Industry, equipment and financing advisory	**352,034**	**32.6%**	264,469	33.6%	33.1%
Clinical department upgrade services	**69,339**	**6.4%**	60,141	7.7%	15.3%
Other business	**4,397**	**0.4%**	1,749	0.2%	151.4%
Total	**1,079,597**	**100.0%**	785,720	100.0%	37.4%

In the first half of 2017, the Group's gross profit was RMB1,079.6 million, increasing by RMB293.9 million, or 37.4%, as compared to the corresponding period of last year. In particular, interest margin gross profit of finance lease business was RMB653.8 million, representing an increase of RMB194.5 million, or 42.3%, as compared to the corresponding period of last year; gross profit of industry, equipment and financing advisory services was RMB352.0 million, representing an increase of RMB87.6 million, or 33.1%, as compared to the corresponding period of last year; and gross profit of clinical department upgrade services was RMB69.3 million, representing an increase of RMB9.2 million, or 15.3%, as compared to the corresponding period of last year.

2.2.1 Finance lease business

During the first half of 2017, the Group continued to develop its finance lease business in a prudent manner. The Group further rationalized business layout all over the country, strengthened regional staffing, improved the business sourcing capability of the team, and deeply explored the value of its customer base, striving to maintain its leading position in healthcare finance lease market.

In the first half of 2017, the Group recorded an interest income of RMB1,190.3 million from finance lease business, representing an increase of RMB275.2 million, or 30.1%, as compared to the corresponding period of last year. The interest income from healthcare industry, education industry and other industries accounted for 69.3%, 27.3% and 3.4% over the total interest income, respectively.

The following table sets forth the yield and cost rate of the Group's finance lease business:

	30 June 2017			30 June 2016		
	Average balance RMB'000 (Unaudited)	**Interest income(1)/ expense(2) RMB'000 (Unaudited)**	**Average yield(3)/ cost rate(4)**	Average balance RMB'000 (Unaudited)	Interest income(1)/ expense(2) RMB'000 (Unaudited)	Average yield(3)/ cost rate(4)
Interest-earning assets	**29,180,939**	**1,196,430**	**8.28%**	22,080,878	921,496	8.39%
Interest-bearing liabilities	**23,309,989**	**536,503**	**4.64%**	17,516,391	455,781	5.23%
Net interest margin(5)	**–**	**–**	**4.57%**	–	–	4.24%
Net interest spread(6)	**–**	**–**	**3.64%**	–	–	3.16%

(1) Interest income represents the interest income 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, presented on an annualized basis;

(4) Average cost rate = Interest expense/average balance of interest-bearing liabilities, presented on an annualized basis;

(5) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets, presented on an annualized basis;

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

In the first half of 2017, the average yield of the Group's interest-earning assets was 8.28%, representing a decrease of 0.11 percentage point from 8.39% in the corresponding period of last year; average cost rate of interest-bearing liabilities was 4.64%, representing a decrease of 0.59 percentage point from 5.23% in the corresponding period of last year. Net interest margin of finance lease was 4.57%, representing an increase of 0.33 percentage point from 4.24% in the corresponding period of last year; net interest spread was 3.64%, representing an increase of 0.48 percentage point from 3.16% in the corresponding period of last year. In the first half of 2017, the Group's net interest margin and net interest spread both increased significantly as compared to the corresponding period of last year.

Average yield of interest-earning assets: In the first half of 2017, the average yield of the Group's interest-earning assets decreased by 0.11 percentage point due to competition in the finance leasing market. However, benefiting from customer loyalty and the finance advantages of differentiation brought by our integrated healthcare service solutions, the average yield of the Group's interest-earning assets remained at a high level.

Average cost rate of interest-bearing liabilities: Since the end of 2016, based on the changes in macro monetary policy trends, the Group has reasonably utilized various financing instruments, continuously optimized its financing structure and replaced financing with high costs to effectively reduce its financing costs. As a result, the average cost rate of the Group's interest-bearing liabilities in the first half of 2017 decreased to 4.64% from 5.23% in the corresponding period of last year.

2.2.2 Industry, equipment and financing advisory services

Industry, equipment and financing advisory services are part of the Group's integrated services. In the first half of 2017, the gross profit from industry, equipment and financing advisory services was RMB352.0 million, representing an increase of RMB87.6 million, or 33.1%, as compared to the corresponding period of 2016.

2.2.3 Clinical department upgrade services

The Group's business of clinical department upgrade services mainly comprises the provision of services such as mid-and-long term planning for hospital development, disciplinary groups planning, speciality business training, approach and strategic consulting for chronic disease prevention and treatment, consulting for innovation in specialized areas and continuing medical education. By providing these services, the Group aims to enhance the technical service capabilities and management efficiency of cooperated hospitals with operating lease and sales of equipment as supporting business. In the first half of 2017, the gross profit from clinical department upgrade services was RMB69.3 million, representing an increase of RMB9.2 million, or 15.3%, as compared to the corresponding period of 2016.

The following table sets forth the breakdown of the Group's clinical department upgrade services:

	For the six months ended 30 June					
	2017			2016		
	Income RMB'000 (Unaudited)	**Gross profit RMB'000 (Unaudited)**	**% of total**	Income RMB'000 (Unaudited)	Gross profit RMB'000 (Unaudited)	% of total
Clinical department upgrade advisory services	**64,702**	**64,702**	**93.3%**	54,559	54,559	90.7%
Operating lease	**10,246**	**642**	**0.9%**	10,619	2,917	4.9%
Sales of medical equipment	**9,497**	**3,995**	**5.8%**	4,538	2,665	4.4%
Total	**84,445**	**69,339**	**100.0%**	69,716	60,141	100.0%

The core business of the Group's clinical department upgrade services is clinical department upgrade advisory services. During the first half of 2017, the Group continued to build up its professional strengths and expand its healthcare resources to continuously enhance its healthcare technology service capabilities. The Group made further innovation in its cooperation with hospital customers in respect of clinical department upgrade services to meet their flexible, diversified and customized development needs. In line with the continuous enrichment of healthcare resources, the scope of our clinical department upgrade services kept expanding, which now covers various fields such as CVA, oncology, obstetrics and gynecology, cardiology, and rehabilitation.

2.3 Operating Cost

In the first half of 2017, the Group's sales and distribution costs amounted to RMB157.9 million, representing an increase of RMB37.4 million, or 31.1%, as compared to the corresponding period of last year. Administrative expenses amounted to RMB115.4 million, representing a decrease of RMB3.6 million, or 3.1%, as compared to the corresponding period of last year.

The increase in sales and distribution costs was mainly due to the following: on the one hand, the Group strengthened market expansion and internal and external medical resources input, resulting in an increase in direct operating cost; on the other hand, in order to cater to the need for implementing corporate strategies, the Group actively recruited high-quality professionals with expertise in hospital investment and management and healthcare technology services, resulting in an increase in the salary and benefits expenses.

The cost to income ratio was 23.2%, representing a slight decrease of 2.2 percentage points as compared to 25.4% for the corresponding period of last year, while operating efficiency remained stable.

2.4 Income Tax Expenses

In the first half of 2017, the Group's income tax expenses increased by RMB63.7 million as compared to the corresponding period of last year, which was mainly due to the increase of profit before tax.

3. FINANCIAL POSITION ANALYSIS

3.1 Overview of Assets

As at 30 June 2017, the Group's total assets amounted to RMB31,860.3 million, representing an increase of RMB2,895.7 million, or 10.0%, as compared to the end of last year. In particular, its loan and accounts receivable amounted to RMB29,604.7 million, accounting for 92.9% of the total assets and representing an increase of RMB2,844.1 million, or 10.6%, as compared to the end of last year.

The following table sets forth the Group's assets:

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change
Restricted deposits	1,350,693	4.2%	660,406	2.3%	104.5%
Cash and cash equivalents	609,522	2.0%	1,272,458	4.4%	-52.1%
Inventories	14,940	0.1%	2,054	0.0%	627.4%
Loans and accounts receivable	29,604,670	92.9%	26,760,535	92.4%	10.6%
Prepayments, deposits and other receivables	54,999	0.2%	40,883	0.1%	34.5%
Property, plant and equipment	94,957	0.3%	98,563	0.4%	-3.7%
Available-for-sale investments	43,961	0.1%	64,916	0.2%	-32.3%
Deferred tax assets	67,579	0.2%	53,544	0.2%	26.2%
Derivative financial assets	6,218	0.0%	7,828	0.0%	-20.6%
Goodwill	8,874	0.0%	–	0.0%	100.0%
Other assets	3,856	0.0%	3,396	0.0%	13.5%
Total	**31,860,269**	**100.0%**	28,964,583	100.0%	10.0%

3.1.1 Restricted deposits and cash and cash equivalents

As at 30 June 2017, the Group had restricted deposits of RMB1,350.7 million, which mainly comprised pledged project refunds resulting from business such as factoring and off-balance sheet activities as well as time deposits.

As at 30 June 2017, the Group had cash and cash equivalents of RMB609.5 million, including the remaining balance of the proceeds from listing and will be utilized gradually in accordance with the proposed use of proceeds.

3.1.2 Loans and accounts receivable

As at 30 June 2017, the balance of the Group's loans and accounts receivable was RMB29,604.7 million, among which the net lease receivables was RMB29,534.6 million, and accounted for 99.8% of the loans and accounts receivable.

Lease receivables

In the first half of 2017, given the general downward trend in China's macroeconomic environment, the Group strengthened the risk management and control in a prudent manner by emphasizing on both adjustment to finance lease assets structure and risk prevention and control. The Group stably expanded finance lease business by continuously expanding the scale while stabilizing the industry distribution of finance lease assets.

Lease receivables by industry

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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Healthcare	**20,153,328**	**67.3%**	19,449,931	71.6%	3.6%
Education	**8,727,554**	**29.1%**	6,455,597	23.8%	35.2%
Others	**1,080,344**	**3.6%**	1,254,613	4.6%	-13.9%
Net lease receivables	**29,961,226**	**100.0%**	27,160,141	100.0%	10.3%
Less: Allowance for asset impairment	**(426,599)**		(404,588)		5.4%
Net value of lease receivables	**29,534,627**		26,755,553		10.4%

As at 30 June 2017, the Group's net lease receivables amounted to RMB29,961.2 million, representing an increase of RMB2,801.1 million, or 10.3%, as compared to the end of last year.

Aging analysis of lease receivables

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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Within 1 year	**7,924,307**	**26.5%**	7,158,746	26.4%	10.7%
1-2 years	**7,254,201**	**24.2%**	6,561,621	24.2%	10.6%
2-3 years	**6,594,941**	**22.0%**	5,956,812	21.8%	10.7%
3 years and beyond	**8,187,777**	**27.3%**	7,482,962	27.6%	9.4%
Net lease receivables	**29,961,226**	**100.0%**	27,160,141	100.0%	10.3%

As at 30 June 2017, the maturity of the Group's net lease receivables was widely spread, which could provide the Group with sustained and steady cash inflows.

Quality of lease receivables

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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Pass	**25,239,957**	**84.2%**	22,815,652	84.0%	10.6%
Special mention	**4,488,720**	**15.0%**	4,124,424	15.2%	8.8%
Substandard	**182,115**	**0.61%**	169,633	0.62%	7.4%
Doubtful	**50,434**	**0.17%**	50,432	0.19%	0.0%
Loss	**–**	**0.0%**	–	0.0%	0.0%
Net lease receivables	**29,961,226**	**100.0%**	27,160,141	100.0%	10.3%
Non-performing assets(1)	**232,549**		220,065		5.7%
Non-performing asset ratio(2)	**0.78%**		0.81%		

(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.

The Group has been implementing a stable asset management policy and continuously adopting a stringent and prudent asset classification policy. As at 30 June 2017, non-performing assets amounted to RMB232.5 million, representing an increase of RMB12.5 million as compared to the end of last year. Moreover, the Group continuously improved its risk management system, adopted effective risk prevention measures and made greater efforts to clear and recover non-performing assets. As at 30 June 2017, the Group's non-performing assets ratio was 0.78%.

Ratio of overdue lease receivables

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Overdue ratio (over 30 days)[1]	**0.62%**	0.51%

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

During the first half of 2017, the Group implemented prudent risk control and asset management policies and continued to improve its risk management system. As at 30 June 2017, the overdue ratio (over 30 days) was 0.62%, representing an increase of 0.11 percentage point as compared to 0.51% at the end of last year.

Provision for impairment of lease receivables

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

	30 June 2017		31 December 2016	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total
Allowance for asset impairment:				
Individually assessed	91,403	21.4%	88,557	21.9%
Collectively assessed	335,196	78.6%	316,031	78.1%
Total	426,599	100.0%	404,588	100.0%
Non-performing assets	232,549		220,065	
Provision coverage ratio	183.44%		183.85%	

As at 30 June 2017, the Group's provision coverage ratio was 183.44%, representing a decrease of 0.41 percentage point from 31 December 2016. The Group's management believes, with the expansion of the Group's business, it is imperative to take more prudent measures to protect the Group against systematic risks and gradually move towards the international standards and practices. As such, the Group's provision coverage ratio remains stable and effectively covers its risk exposures. During the reporting period, the Group did not write off any finance lease assets, nor have any finance lease assets been classified as a loss.

3.2 Overview of Liabilities

As at 30 June 2017, the Group's total liabilities amounted to RMB24,961.2 million, representing an increase of RMB2,571.0 million, or 11.5%, as compared to the end of last year.

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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change
Interest-bearing bank and other borrowings	**22,070,489**	**88.4%**	19,485,459	87.0%	13.3%
Trade and bills payable	**238,127**	**1.0%**	194,333	0.9%	22.5%
Other payables and accruals	**2,558,567**	**10.3%**	2,576,182	11.5%	-0.7%
Taxes payable	**50,054**	**0.2%**	69,302	0.3%	-27.8%
Other liabilities	**43,961**	**0.1%**	64,916	0.3%	-32.3%
Total	**24,961,198**	**100.0%**	22,390,192	100.0%	11.5%

3.2.1 Interest-bearing bank and other borrowings

During the first half of 2017, in light of the complicated domestic and overseas financial market conditions, the Group actively adjusted its financing strategies and optimized its debt structure, resulting in a continuous improvement of its financing structures, and a further enhancement of its financing capability.

The Group's interest-bearing bank and other borrowings is mainly used to provide capital for its finance lease business. As at 30 June 2017, the balance of the Group's interest-bearing bank and other borrowings was RMB22,070.5 million, representing an increase of RMB2,585.0 million, or 13.3%, as compared to 31 December 2016. The borrowings of the Group are mainly at fixed interest rates or at floating benchmark lending interest rates promulgated by the People's Bank of China.

Breakdown of interest-bearing bank and other borrowings by type

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Bank loans	**11,960,199**	**54.2%**	9,047,346	46.4%	32.2%
Due to related parties	**1,500,000**	**6.8%**	1,500,000	7.7%	0.0%
Bonds	**6,050,976**	**27.4%**	7,135,184	36.6%	-15.2%
Other loans	**2,559,314**	**11.6%**	1,802,929	9.3%	42.0%
Total	**22,070,489**	**100.0%**	19,485,459	100.0%	13.3%

As at 30 June 2017, the balance of the Group's bank loans was RMB11,960.2 million, accounting for 54.2% of its total interest-bearing bank and other borrowings, representing an of total increase of 7.8 percentage points as compared to 31 December 2016. In light of a significant increase in the capital cost in domestic bond market in the first half of 2017, the Group enhanced its cooperation with banks and increased the proportion of bank loans.

Breakdown of interest-bearing and other borrowings by currency

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
RMB	**21,082,190**	**95.5%**	18,455,632	94.7%	14.2%
USD	**988,299**	**4.5%**	1,029,827	5.3%	-4.0%
Total	**22,070,489**	**100.0%**	19,485,459	100.0%	13.3%

As at 30 June 2017, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB21,082.2 million, accounting for 95.5% of its total interest-bearing bank and other borrowings and representing an of total increase of 0.8 percentage point as compared to 31 December 2016. For domestic and overseas borrowings denominated in USD, the Group minimized the risk from the 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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Domestic	**21,264,512**	**96.3%**	16,762,603	86.0%	26.9%
Overseas	**805,977**	**3.7%**	2,722,856	14.0%	-70.4%
Total	**22,070,489**	**100.0%**	19,485,459	100.0%	13.3%

Despite an increase in domestic financing cost in the first half of 2017, after comprehensively taking into account exchange lock-in costs, taxes and other factors, the Group's domestic financing still enjoys certain cost advantage over overseas existing financing. Therefore, after the repayment of some overseas existing financing, the Group reduced the proportion of overseas financing to 3.7% as at 30 June 2017 from 14.0% as at 31 December 2016.

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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Current	**6,766,708**	**30.7%**	6,284,903	32.3%	7.7%
Non-current	**15,303,781**	**69.3%**	13,200,556	67.7%	15.9%
Total	**22,070,489**	**100.0%**	19,485,459	100.0%	13.3%

As at 30 June 2017, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB6,766.7 million, accounting for 30.7% of its total interest-bearing bank and other borrowings, representing an of total decrease of 1.6 percentage points as compared to 32.3% as at 31 December 2016.

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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Secured	**3,681,457**	**16.7%**	4,639,457	23.8%	-20.6%
Unsecured	**18,389,032**	**83.3%**	14,846,002	76.2%	23.9%
Total	**22,070,489**	**100.0%**	19,485,459	100.0%	13.3%

As at 30 June 2017, the Group's total secured interest-bearing bank and other borrowings amounted to RMB3,681.5 million, accounting for 16.7% of its total interest-bearing bank and other borrowings, representing an of total decrease of 7.1 percentage points as compared to 23.8% as at 31 December 2016. The Group's secured assets were mainly finance lease assets, and the decrease in its proportion indicated a further improvement of the Group's own financing capabilities.

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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Direct financing	**6,050,976**	**27.4%**	7,135,184	36.6%	-15.2%
Indirect financing	**16,019,513**	**72.6%**	12,350,275	63.4%	29.7%
Total	**22,070,489**	**100.0%**	19,485,459	100.0%	13.3%

As at 30 June 2017, among the balance of the Group's interest-bearing bank and other borrowings, the direct financing amounted to RMB6,051.0 million, accounting for 27.4% of the total interest-bearing bank and other borrowings, representing an of total decrease of 9.2 percentage points as compared to 36.6% as at 31 December 2016. In light of a significant increase in capital cost in domestic bond market in the first half of 2017, the Group adjusted its financing strategy by decreasing the proportion of direct financing.

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 30 June 2017, other payables and accruals amounted to RMB2,558.6 million, representing a decrease of RMB17.6 million as compared to the end of last year.

3.3 Shareholders' Equity

As at 30 June 2017, the Group's total equity was RMB6,899.1 million, representing an increase of RMB324.7 million, or 4.9%, as compared to the end of last year, which was mainly due to the increase in reserve as a result of an increase in profit for the period.

4. CASH FLOWS ANALYSIS

	For the six months ended 30 June		
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	Change
Net cash flows used in operating activities	**(1,830,444)**	(483,290)	278.7%
Net cash flows used in investing activities	**(543,587)**	(2,250)	24,059.4%
Net cash flows from financing activities	**1,736,004**	409,261	324.2%
Effect of exchange rate changes on cash and cash equivalents	**(24,909)**	23,406	-206.4%
Net decrease in cash and cash equivalents	**(662,936)**	(52,873)	1,153.8%

Due to the Group's business expansion and an increase in the balance of interest-earning assets in the first half of 2017, net cash outflows from operating activities amounted to RMB1,830.4 million. Accordingly, the Group increased its cash inflow from financing activities such as bank and other borrowings, with net cash inflow of RMB1,736.0 million from financing activities. Net cash outflows from investing activities amounted to RMB543.6 million, mainly attributed to the acquisition of office equipment and increase in other long-term assets and other investment by the Group.

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 (i.e. interest-bearing bank and other borrowings/total equity) to monitor its capital status. In the first half of 2017, no changes were made to the Group's objectives, policies or processes for capital management.

Debt ratio

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Total assets	**31,860,269**	28,964,583
Total liabilities	**24,961,198**	22,390,192
Total equity	**6,899,071**	6,574,391
Debt ratio	**78.3%**	77.3%

Gearing ratio

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Interest-bearing bank and other borrowings	**22,070,489**	19,485,459
Total equity	**6,899,071**	6,574,391
Gearing ratio	**3.20**	2.96

As at 30 June 2017, 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 the purchase of medical equipment and other equipment relating to the Group's operating lease business as well as expenditure on office equipment. During the first half of 2017, the Group had capital expenditure of RMB7.4 million, which primarily consisted of related expenses for the purchase of equipment relating to operating lease, office renovation costs and project construction expenses.

Use of Proceeds from the Initial Public Offering

The Company's shares were listed on the main board of the Stock Exchange on 8 July 2015. After the partial exercise of the over-allotment option, and deducting underwriting commissions and all related expenses, the net proceeds from the initial public offering amounted to approximately RMB2,775.5 million. For the six months ended 30 June 2017, the Group did not change its plan on the use of proceeds as stated in the prospectus of the Company dated 24 June 2015.

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 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	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Change in base points		
+100 base points	**96,852**	105,799
-100 base points	**(96,852)**	(105,799)

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 other than RMB. The Group seeks to limit its exposure to foreign currency risk by minimizing 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.

		Increase/decrease in profit before tax	
	Change in foreign exchange rate %	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
If RMB strengthens against USD/HK$	(1)	**(499)**	(493)
If RMB weakens against USD/HK$	1	**499**	493

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 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 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 principal and interest of the lease payments 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 and we are likely to incur significant losses notwithstanding the enforcement of any guarantees underlying the lease contract. 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 work, with inter-department coordination and collaboration, to maintain the safety of assets and improve the asset quality. Throughout the process of each finance lease project, the Group took risk management measures to monitor the quality of its assets and the assets underlying its leases as well as the efficiency of its credit assessment workflow. These measures are integrated into continuing asset management efforts of the Group with the following key features:

Continuously improving the management process after the lease and regularly monitoring the asset portfolio

The Group continued to improve the management process after lease and strengthened the coordination of various departments to ensure rent collection and collateral security, as well as enhancing asset quality. During the period, the Group constantly monitored 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 and implemented an annual on-site visit plan and inspected the business development and financial conditions of its customers on a continuing basis, during which cross-selling opportunities could also be explored for providing more value-added services. Through on-site visits, customers would be urged to pay the rent on time more consciously and they would be more willing to communicate with the Group.

Material event handling and reporting procedures

The Group implemented a material events reporting system. If any material adverse event occurs to customers, a responsible 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 assessment on asset quality and reclassification

The Group adopted a migration model to classify its relevant lease receivables and assets of its finance lease projects. Under this categorization procedure, 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:

	30 June 2017		31 December 2016	
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total
Healthcare	**20,153,328**	**67.3%**	19,449,931	71.6%
Education	**8,727,554**	**29.1%**	6,455,597	23.8%
Others	**1,080,344**	**3.6%**	1,254,613	4.6%
Total	**29,961,226**	**100.0%**	27,160,141	100.0%

The customers of the Group are mainly concentrated in the healthcare industry and the education industry. Since both industries 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 receivables, deposits and other receivables, and credit commitments. The analysis of financial assets which are neither past due nor impaired is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Net lease receivables	**29,519,011**	26,936,292
Accounts receivable	**68,374**	2,205
Notes receivable	**1,669**	2,777
Deposits and other receivables	**4,543**	14,079
Available-for-sale investments	**43,961**	64,916
Derivative financial assets	**6,218**	7,828

As at 30 June 2017 and 31 December 2016, the financial assets which are past due but are not considered impaired amounted to RMB209.7 million and RMB3.8 million, respectively. Their overdue days are analyzed as below:

	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**
			As at 30 June 2017 (Unaudited)		
Net lease receivables	**209,666**	**–**	**–**	**–**	**209,666**
			As at 31 December 2016 (Audited)		
Net lease receivables	3,784	–	–	–	3,784

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 the 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. Lease receivables of RMB161.5 million, among the balance of past due but not impaired assets as at 30 June 2017, were recovered in July 2017.

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Net lease receivables	**232,549**	220,065

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.

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 financial 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 facilities or loan commitments provided by banks or other financial institutions, making projections of future cash flows and evaluating the appropriate current asset/liability position, and maintaining an effective internal funds transfer mechanism.

The tables below summarise 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
			As at 30 June 2017 (Unaudited)			
Total financial assets	**759,495**	**3,070,743**	**7,971,261**	**24,761,136**	**652,598**	**37,215,233**
Total financial liabilities	**(132,364)**	**(2,171,621)**	**(6,068,147)**	**(18,402,120)**	**(9,600)**	**(26,783,852)**
Net liquidity gap(1)	**627,131**	**899,122**	**1,903,114**	**6,359,016**	**642,998**	**10,431,381**
			As at 31 December 2016 (Audited)			
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

(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.

The Group replaced part of short-term borrowings with long-term borrowings through the financing structural adjustment during the first half of 2017. Therefore, the durations of financial assets and financial liabilities match more closely.

8. PLEDGE OF GROUP ASSETS

As at 30 June 2017, the Group had lease receivables of RMB4,087.4 million and cash of RMB366.5 million pledged or paid to banks to secure bank borrowings.

9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 13 January 2017, the Company, through a wholly-owned subsidiary, jointly established Xi'an Wanheng with a wholly-owned subsidiary of First Affiliated Hospital pursuant to the cooperation agreement. Xi'an Wanheng is positioned as a medical service platform that integrates healthcare resources and provides medical supply chain services and commercial ancillary services for First Affiliated Hospital, International Land Port Hospital and other hospitals to be operated in future. Pursuant to the cooperation agreement, Xi'an Wanheng is entitled to the business cooperation right to, at its sole discretion, provide procurement, logistics and other related services to International Land Port Hospital and provide procurement services to First Affiliated Hospital. On 6 February 2017, Xi'an Wanheng acquired the 97.5% equity interests in Shaanxi Huahong at a consideration of RMB17,161,990 in cash for the purpose of the provision of supply chain services and commercial ancillary services for First Affiliated Hospital, International Land Port Hospital and other hospitals to be operated in the future.

Please refer to the announcements of the Company published on 10 January 2017 and 6 February 2017 for details.

10. CIRCUMSTANCES INCLUDING CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

10.1 Contingent Liabilities

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Legal proceedings		
Claimed amounts	**–**	–

10.2 Capital Commitments and Credit Commitments

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Capital expenditure for acquisition of property and equipment	**2,620**	6,106
Irrevocable credit commitments	**888,610**	1,316,461

Save as 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 will provide approximately RMB2 billion for the construction of International Land Port Hospital project and will manage and operate International Land Port Hospital in a manner as agreed by both parties upon completion of the project construction. As at 30 June 2017, the actual capital paid by the Group for the project construction amounted to RMB0.8 million.

11. HUMAN RESOURCES

As at 30 June 2017, the Group had a total of 597 full-time employees.

We have a highly-educated and high-quality work force, with about 85.6% of our employees holding bachelor's degrees or above, about 46.7% holding master's degrees or above and about 2.2% holding doctor's degrees as at 30 June 2017. 289 employees or 48.4% of our total employees have medical background.

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 set of remuneration and award system based on their overall performance and accomplishment of work targets. We promote our employees based on their positions, service term and overall performance by category into professional or managerial group, which provides our employees with a clear career path. We appraise our employees above supervisor level on an annual basis according to business objective obligations, organization construction and accomplishment of teamwork targets.

In accordance with applicable PRC regulations, we have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We also provide other insurance plans for our employees such as supplementary pension, additional medical insurance and accident insurance in addition to those required under the PRC regulations. For the six months ended 30 June 2017, the Group had complied with all statutory social insurance and housing fund obligations applicable to us under the PRC laws in all material aspects.

DISCLOSURE OF INTERESTS

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

As at 30 June 2017, the interests and/or short positions of the Directors and the chief executives 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 were recorded in the register required to be kept by the Company 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 held	Approximate 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 46 for details of Mr. Zhang's interest in the Shares of the Company.

(2) Mr. Guo 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 is deemed to be interested in the Shares owned by ITCCL.

(3) Ms. Peng 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 is deemed to be interested in the Shares owned by Evergreen.

Save as disclosed above, as at 30 June 2017, 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 were recorded in the register required to be kept by the Company 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 30 June 2017, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company 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 or 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	101,692,526	5.93%

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"), and 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 101,692,526 Shares, 46,000,716 Shares are owned by ICBCI and 55,691,810 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 34.71% of ICBC and 57.11% of CCB respectively. By virtue of the SFO, Central Huijin is deemed to be interested in a total of 101,692,526 Shares owned by ICBCI and Glory Spring.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code and has adopted the CG Code as its own corporate governance code.

During the period from 1 January 2017 to 30 June 2017, the Company has complied with all code provisions as set out in the CG Code save for the deviation from code provision A.4.2.

Code provision A.4.2 of the CG Code stipulates that every Director (including those appointed for a specific term) should be subject to retirement by rotation at least once every three years. However, pursuant to the Articles, the executive Directors shall not be subject to the rotational retirement provision, without prejudice of the power of shareholders in general meeting to remove any such Director. To ensure the continuity of leadership and stability for growth of the Company, the Board is of the view that the executive Directors should hold office on a continuous basis.

NON-EXECUTIVE DIRECTORS

On 4 May 2017, Mr. Zeng Yu resigned as a non-executive Director and a member of the Remuneration Committee of the Company. Subsequent to his resignation, there were only two members left in the Remuneration Committee, which failed to satisfy the requirement that there shall be at least three members as stipulated in the terms of reference of the Remuneration Committee. Mr. Jiang Xin was appointed as a member of the Remuneration Committee on 4 August 2017. Accordingly, the Remuneration Committee currently comprises three members (namely, Mr. Chow Siu Lui, Mr. Jiang Xin and Mr. Han Demin) in compliance with the terms of reference of the Remuneration Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Company's Securities Dealing Code on terms no less exacting than the Model Code as set out in the Appendix 10 to the Listing Rules to regulate the Directors' and employees' dealings in the Company's securities.

Having made specific enquiry to all the Directors (including those who resigned during the accounting period covered by this interim report), all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2017 to the date of this interim report or the date of his resignation as the Company's Director (whichever is earlier).

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rules 3.21 of the Listing Rules. It comprises three members, namely Mr. Li Yinquan (chairman), Mr. Liu Xiaoping and Mr. Chow Siu Lui.

The Audit Committee has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 and this interim report.

In addition, Ernst & Young, the external auditor of the Company, has independently reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the year ended 31 December 2016 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2017 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has submitted a report on the consolidated financial statements for the year ended 31 December 2016. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

SHARE OPTION SCHEME

As at the date of this interim report, the Company did not adopt any share option scheme under Chapter 17 of the Listing Rules.

DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

The changes in Directors' biographical details which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are as follows:

1. Mr. Li Yinquan has ceased to be 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) since 25 April 2017;

2. Mr. Liu Xiaoping has served as a director of China National Investment and Guaranty Corporation (whose shares are listed on the National Equities Exchange and Quotations (the New Third Board), stock code: 834777) since August 2015;

3. Mr. Chow Siu Lui has been appointed as an independent non-executive director of China Everbright Greentech Limited (whose shares are listed on the main board of the Stock Exchange, stock code: 1257) since 20 January 2017; and

4. Mr. Su Guang has ceased to be a vice president of the asset management department of the headquarters of Ping An Bank Co., Ltd. ("Ping An Bank") (whose shares are listed on the Shenzhen Stock Exchange, stock code: 000001) and a vice chief representative of Ping An Bank's representative office in Hong Kong since November 2016. He has served as a deputy general manager of COSCO SHIPPING Financial Holdings Co., Limited since April 2017.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at 30 June 2017, other than the circumstances as disclosed in the Prospectus and the announcements of the Company dated 13 August 2015, 22 April 2016 and 6 January 2017 respectively as required under Rule 13.18 of the Listing Rules, there were no other matters that gave rise to a disclosure required under Rule 13.18 of the Listing Rules.

PUBLICATION OF THE INTERIM REPORT

This interim 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 interim report in printed form by post free of charge. Shareholders may at any time change their choice of the means of receipt and language(s) of corporate communications of the Company.

Shareholders may request for printed copy of the interim report or change their choice of means of receipt and language of the corporate communications of the Company 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, Wanchai, Hong Kong, or by sending an email to unimedical.ecom@computershare.com.hk.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 52 to 88, which comprise the interim condensed consolidated statement of financial position of Universal Medical Financial & Technical Advisory Services Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Certified Public Accountants
Hong Kong
22 August 2017

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

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June **2017** **(Unaudited)** **RMB'000**	 2016 (Unaudited) RMB'000
REVENUE	4	**1,653,892**	1,251,076
Cost of sales		**(574,295)**	(465,356)
Gross profit		**1,079,597**	785,720
Other income and gains	4	**9,949**	3,890
Selling and distribution costs		**(157,916)**	(120,491)
Administrative expenses		**(115,387)**	(119,025)
Other expenses		**(15,823)**	(3,247)
Financial costs		**(512)**	–
PROFIT BEFORE TAX	5	**799,908**	546,847
Income tax expense	6	**(220,993)**	(157,302)
PROFIT FOR THE PERIOD		**578,915**	389,545
Attributable to:			
The owners of the parent		**578,953**	389,545
Non-controlling interest		**(38)**	–
		578,915	389,545
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	8	**0.34**	0.23
PROFIT FOR THE PERIOD		**578,915**	389,545
OTHER COMPREHENSIVE INCOME			
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**578,915**	389,545
Attributable to:			
The owners of the parent		**578,953**	389,545
Non-controlling interest		**(38)**	–
		578,915	389,545

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017 (Unaudited) RMB'000**	31 December 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**94,957**	98,563
Goodwill		**8,874**	–
Loans and accounts receivable	11	**21,775,915**	19,754,852
Prepayments, deposits and other receivables		**13,137**	13,332
Available-for-sale investments	10	**43,961**	64,916
Deferred tax assets		**67,579**	53,544
Other assets		**3,856**	3,396
Total non-current assets		**22,008,279**	19,988,603
CURRENT ASSETS			
Inventories		**14,940**	2,054
Loans and accounts receivable	11	**7,828,755**	7,005,683
Prepayments, deposits and other receivables		**41,862**	27,551
Derivative financial assets		**6,218**	7,828
Restricted deposits	12	**1,350,693**	660,406
Cash and cash equivalents	12	**609,522**	1,272,458
Total current assets		**9,851,990**	8,975,980
CURRENT LIABILITIES			
Trade payables	13	**238,127**	194,333
Other payables and accruals		**648,950**	626,182
Interest-bearing bank and other borrowings	14	**6,766,708**	6,284,903
Taxes payable		**50,054**	69,302
Total current liabilities		**7,703,839**	7,174,720
NET CURRENT ASSETS		**2,148,151**	1,801,260
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,156,430**	21,789,863
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**15,303,781**	13,200,556
Other payables and accruals		**1,909,617**	1,950,000
Other liabilities		**43,961**	64,916
Total non-current liabilities		**17,257,359**	15,215,472
Net assets		**6,899,071**	6,574,391

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017 (Unaudited) RMB'000**	31 December 2016 (Audited) RMB'000
EQUITY			
Equity attributable to the owners of the parent			
Share capital	15	**4,327,842**	4,327,842
Reserves	16	**2,571,054**	2,246,549
		6,898,896	6,574,391
Non-controlling interest		**175**	–
Total equity		**6,899,071**	6,574,391

Guo Weiping	**Peng Jiahong**
Director	Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Equity attributable to the owners of the parent							
	Share capital RMB'000 (Note 15)	Capital reserve* RMB'000 (Note 16)	Statutory reserve* RMB'000 (Note 16)	Exchange fluctuation reserve* RMB'000 (Note 16)	Retained profits* RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2017 (Audited)	**4,327,842**	**33,302**	**278,201**	**29,248**	**1,905,798**	**6,574,391**	**–**	**6,574,391**
Profit for the period	–	–	–	–	578,953	578,953	(38)	578,915
Total comprehensive income for the period	–	–	–	–	578,953	578,953	(38)	578,915
Acquisition of a subsidiary	–	–	–	–	–	–	213	213
Dividends (Note 7)	–	–	–	–	(254,448)	(254,448)	–	(254,448)
At 30 June 2017 (Unaudited)	**4,327,842**	**33,302**	**278,201**	**29,248**	**2,230,303**	**6,898,896**	**175**	**6,899,071**

* These reserve accounts comprise the consolidated reserves of RMB2,571,054,000 (31 December 2016: RMB2,246,549,000) in the interim condensed consolidated statement of financial position.

For the six months ended 30 June 2016

	Share capital RMB'000 (Note 15)	Capital reserve RMB'000 (Note 16)	Statutory reserve RMB'000 (Note 16)	Exchange fluctuation reserve RMB'000 (Note 16)	Retained profits RMB'000	Total RMB'000
At 1 January 2016 (Audited)	4,327,842	23,938	186,828	29,248	1,313,344	5,881,200
Profit for the period	–	–	–	–	389,545	389,545
Total comprehensive income for the period	–	–	–	–	389,545	389,545
Equity-settled share award arrangements	–	9,364	–	–	–	9,364
Dividends	–	–	–	–	(188,483)	(188,483)
At 30 June 2016 (Unaudited)	4,327,842	33,302	186,828	29,248	1,514,406	6,091,626

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**799,908**	546,847
Adjustments for:			
Finance costs	5	**536,503**	455,781
Interest income	4	**(4,911)**	(3,156)
Derivative instruments – transactions not qualifying as hedges unrealised fair value losses/(gains), net	5	**1,610**	(196)
Depreciation		**12,270**	9,075
Interest income from available-for-sale investments	4	**(4,902)**	(533)
Provision for impairment of loans and accounts receivable and other receivables	5	**22,487**	39,981
Foreign exchange losses, net		**889**	727
Equity-settled share-based compensation expenses	17	**–**	9,364
		1,363,854	1,057,890
Increase in inventories		**(5,201)**	(2,293)
Increase in loans and accounts receivable		**(2,807,119)**	(1,723,564)
(Increase)/decrease in prepayments, deposits and other receivables		**(9,252)**	67,055
Decrease in amounts due from related parties		**5,678**	3,466
Increase in other assets		**(574)**	(2,782)
Increase in trade payables		**11,071**	168,412
Decrease/(increase) in other payables and accruals		**(136,436)**	115,879
Decrease in amounts due to related parties		**(1,532)**	(552)
Net cash flows used in operating activities before tax and interest		**(1,579,511)**	(316,489)
Interest received		**4,911**	3,156
Income tax paid		**(255,844)**	(169,957)
Net cash flows used in operating activities		**(1,830,444)**	(483,290)

	Notes	For the six months ended 30 June **2017** **(Unaudited)** **RMB'000**	2016 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from available-for-sale investment		**8,359**	–
Interest income from available-for-sale investments	4	**4,902**	533
Increase in time deposits		**(538,401)**	–
Acquisition of a subsidiary		**(11,035)**	–
Cash paid for acquisition of property, plant and equipment and other non-current assets		**(7,412)**	(2,783)
Net cash flows used in investing activities		**(543,587)**	(2,250)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in amounts due to related parties		**–**	(500,000)
Cash received from new borrowings		**6,288,204**	7,952,029
Repayments of borrowings		**(3,555,233)**	(6,334,328)
Cash paid for restricted deposits		**(321,888)**	(129,366)
Repayment of restricted deposits		**170,002**	26,975
Interest paid		**(590,633)**	(417,566)
Dividends paid		**(254,448)**	(188,483)
Net cash flows from financing activities		**1,736,004**	409,261
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(638,027)**	(76,279)
Cash and cash equivalents at beginning of the period		**1,272,458**	1,865,670
Effect of exchange rate changes on cash and cash equivalents		**(24,909)**	23,406
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**609,522**	1,812,797
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**981,314**	2,045,906
Less: restricted deposits		**(371,792)**	(233,109)
Cash and cash equivalents as stated in the statement of financial position	12	**609,522**	1,812,797
Cash and cash equivalents as stated in the statement of cash flows	12	**609,522**	1,812,797

1. CORPORATE 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 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 has been changed to 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") is principally engaged in the provision of financing to its customers under finance lease arrangements, the provision of advisory services, the 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 are prepared in accordance with HKAS 34.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2016, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRs") and included in the 2016 annual report of the Company.

These interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies

Adoption of amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the Group's financial statements for the year ended 31 December 2016, except in relation to the following amendments which are adopted by the Group for the first time for the current period's financial statements:

Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKAS 7	*Disclosure Initiative*
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs

Adoption of these amendments did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

The Group has not early adopted any other standard or amendment that was issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of 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, and the provision of other services in Mainland China. For management purposes, the aforesaid businesses are integral and the Group has not organised them into different operating segments.

Geographical information

(a) All the sales to external customers of the Group are generated in Mainland China.

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

Information about a major customer

There was no single customer from which the revenue constituted 10% or more of the total revenue of the Group during the period.

4. 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 value added tax, during the period.

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Finance lease income	**1,196,430**	921,496
Service fee income	**419,721**	320,602
Operating lease income	**10,287**	10,783
Sale of goods	**34,369**	4,573
Others	**2,202**	2,646
Tax and surcharges	**(9,117)**	(9,024)
	1,653,892	1,251,076
Other income and gains		
Interest income from bank deposits	**4,911**	3,156
Interest income from available-for-sale investments	**4,902**	533
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value gains, net	**–**	196
Others	**136**	5
	9,949	3,890

5. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2017	2016
	Note	**(Unaudited)**	(Unaudited)
		RMB'000	RMB'000
Cost of borrowings included in cost of sales		**536,503**	455,781
Cost of inventories sold		**28,188**	1,874
Cost of operating leases		**9,604**	7,701
Depreciation		**2,666**	1,374
Rental expenses		**11,214**	10,663
Employee benefit expense (Including directors' remuneration)			
– Wages and salaries		**163,607**	113,694
– Equity-settled share-based compensation expenses	17	**–**	9,364
– Pension scheme contributions		**11,935**	11,522
– Other employee benefits		**11,131**	8,772
		186,673	143,352
Impairment of loans and accounts receivable and other receivables		**22,487**	39,981
Foreign exchange losses, net		**14,882**	1,508
Derivative instruments – transactions not qualifying as hedges			
– Unrealised fair value losses/(gains), net		**1,610**	(196)
– Realised fair value (gains)/losses, net		**(787)**	570

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China		
Charge for the period	**232,367**	165,778
Underprovison in prior years	**2,661**	5,962
Deferred tax	**(14,035)**	(14,438)
Total tax charge for the period	**220,993**	157,302

Hong Kong profits tax is provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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% (six months ended 30 June 2016: 25%) on the estimated assessable profits for the six months ended 30 June 2017, 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.

6. INCOME TAX EXPENSE (CONTINUED)

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	**799,908**	546,847
At PRC statutory income tax rate of 25%	**199,977**	136,712
Difference of tax rate enacted by local authority	**5,198**	2,424
Expenses not deductible for tax purpose	**1,585**	3,398
Adjustment on current income tax in respect of prior years	**2,661**	5,962
Unrecognised tax losses	**2,413**	2,395
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**9,159**	6,411
Income tax expense as reported in the condensed consolidated statement of profit or loss	**220,993**	157,302

7. DIVIDENDS

A final dividend of HK$0.17 per share totalling HK$291,772,000 (equivalent to RMB254,448,000) in respect of the year ended 31 December 2016 was approved by the annual general meeting of the Company held on 5 June 2017 and has been paid on 27 June 2017.

The board of directors resolved not to declare any interim dividend to shareholders in respect of the period for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT

Basic earnings per share for the six months ended 30 June 2017 and 2016 are 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.

The calculation of basic earnings per share is based on:

Earnings

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**578,953**	389,545

Shares

	Number of shares For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**1,716,304,580**	1,716,304,580

Dilutive earnings per share for the six months ended 2017 and 2016 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment at a total cost of RMB6,099,000 (six months ended 30 June 2016: RMB20,694,000). No property, plant and equipment of the Group was disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Asset-backed securities	**43,961**	64,916

As at 30 June 2017, the Group invested in an asset-backed security which was issued by a special purpose trust. Details of the asset-backed security is disclosed in note 23 to the interim condensed consolidated financial statements.

11. LOANS AND ACCOUNTS RECEIVABLE

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Loans and accounts receivable due within one year	**7,828,755**	7,005,683
Loans and accounts receivable due after one year	**21,775,915**	19,754,852
	29,604,670	26,760,535

11a. Loans and accounts receivable by nature

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Gross lease receivables (note 11b)*	**35,513,211**	32,399,289
Less: Unearned finance income	**(5,551,985)**	(5,239,148)
Net lease receivables (note 11b)*	**29,961,226**	27,160,141
Accounts receivable (note 11d)*	**68,374**	2,205
Notes receivable*	**1,669**	2,777
Subtotal of loans and accounts receivable	**30,031,269**	27,165,123
Less:		
Provision for lease receivables (note 11c)	**(426,599)**	(404,588)
	29,604,670	26,760,535

* These balances included balances with related parties which are disclosed in note 11e to the interim condensed consolidated financial statements.

11. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

11b (1). An ageing analysis of lease receivables, determined based on the age of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Gross lease receivables		
Within 1 year	**18,045,870**	17,344,561
1 to 2 years	**11,589,718**	9,687,212
2 to 3 years	**3,041,916**	3,048,569
3 years and beyond	**2,835,707**	2,318,947
Total	**35,513,211**	32,399,289
Net lease receivables		
Within 1 year	**14,993,295**	14,266,243
1 to 2 years	**9,756,029**	8,115,744
2 to 3 years	**2,727,245**	2,695,715
3 years and beyond	**2,484,657**	2,082,439
Total	**29,961,226**	27,160,141

11. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

11b (2). The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following consecutive accounting years:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Gross lease receivables		
Due within 1 year	**9,905,247**	9,071,695
Due in 1 to 2 years	**8,939,668**	8,134,150
Due in 2 to 3 years	**7,677,625**	6,989,085
Due after 3 years and beyond	**8,990,671**	8,204,359
Total	**35,513,211**	32,399,289
Net lease receivables		
Due within 1 year	**7,924,307**	7,158,746
Due in 1 to 2 years	**7,254,201**	6,561,621
Due in 2 to 3 years	**6,594,941**	5,956,812
Due after 3 years and beyond	**8,187,777**	7,482,962
Total	**29,961,226**	27,160,141

11. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

11c. CHANGE IN PROVISION FOR LEASE RECEIVABLES

	Individually assessed			Collectively assessed			Total		
	30 June 2017 RMB'000 (Unaudited)	30 June 2016 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	**30 June 2017 RMB'000 (Unaudited)**	30 June 2016 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	**30 June 2017 RMB'000 (Unaudited)**	30 June 2016 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
At beginning of the period/year	**88,557**	64,383	64,383	**316,031**	224,137	224,137	**404,588**	288,520	288,520
Charge for the period/year	**2,846**	9,633	24,174	**19,165**	30,348	91,894	**22,011**	39,981	116,068
At end of the period/ year	**91,403**	74,016	88,557	**335,196**	254,485	316,031	**426,599**	328,501	404,588

Note: As at 30 June 2017, the amount of the gross lease receivables pledged as security for the Group's borrowings was RMB4,087,394,000 (31 December 2016: RMB4,735,186,000) (see note 14a).

11d. An ageing analysis of accounts receivable, determined based on the age of receivables since the recognition date, as at the end of the reporting period is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 1 year	**66,169**	–
After 1 year and beyond	**2,205**	2,205
Total	**68,374**	2,205

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

11. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

11e. BALANCES WITH RELATED PARTIES

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

Name		**30 June 2017 (Unaudited) RMB'000**	31 December 2016 (Audited) RMB'000
Gross lease receivables:			
Harbin Measuring & Cutting Tool Group Co., Ltd.		–	3,275
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.		–	1,260
Net lease receivables:			
Harbin Measuring & Cutting Tool Group Co., Ltd.		–	3,249
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.		–	1,249
Accounts receivable:			
China National Instruments Import & Export (Group) Corporation	(i)	**1,805**	1,805
Notes receivable:			
Harbin Measuring & Cutting Tool Group Co., Ltd.	(ii)	**409**	1,279
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.	(ii)	**1,260**	1,498

The above related parties are subsidiaries of China Genertec Technology (Group) Holding Limited ("Genertec Group").

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

(ii) The balances with the related parties are unsecured, interest-free and repayable in one year.

12. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Cash and bank balances	**981,314**	1,469,377
Time deposits	**978,901**	463,487
	1,960,215	1,932,864
Less:		
Pledged deposits and restricted bank deposits related to asset-backed securitisations	**(371,792)**	(219,906)
Time deposits with original maturity of more than three months	**(978,901)**	(440,500)
Cash and cash equivalents	**609,522**	1,272,458

As at 30 June 2017, the cash and bank balances of the Group denominated in RMB amounted to RMB919,891,000 (31 December 2016: RMB785,623,000). 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 30 June 2017, cash of RMB366,495,000 (31 December 2016: RMB147,217,000) was pledged for bank and other borrowings (see note 14a).

As at 30 June 2017, cash of RMB5,297,000 (31 December 2016: RMB72,689,000) 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 23. The cash collected by the Group from the associated finance lease contracts of the securitisations has to be passed on to the investors of the asset-backed securities without material delay.

As at 30 June 2017, cash of RMB138,632,000 (31 December 2016: RMB406,716,000) was deposited with Genertec Finance Co., Ltd., which is a related party.

13. TRADE PAYABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Notes payable	**1,582**	–
Trade payables	**236,407**	194,179
Due to related parties (note 13a)	**138**	154
	238,127	194,333

The trade payables are non-interest-bearing and are repayable within one year or repayable based on the payment schedules agreed between the Group and the respective parties.

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 1 year	**216,396**	178,783
1 to 2 years	**11,325**	5,277
2 to 3 years	**133**	113
Over 3 years	**10,273**	10,160
	238,127	194,333

13. TRADE PAYABLES (CONTINUED)

13a. BALANCES WITH RELATED PARTIES

Particulars of an amount due to related parties are as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade payables:		
General Technology Group International Logistic Company Limited	**55**	37
Genertec Italia s.r.l.	**83**	117
	138	154

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.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2017 (Unaudited)			31 December 2016 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – unsecured	3.70~4.83	2017~2018	2,776,000	3.70~4.79	2017	1,404,500
Current portion of long-term bank loans:						
– secured	4.28~5.35	2017~2018	1,294,503	3.45~5.23	2017	1,233,412
– unsecured	3.92~4.99	2017~2018	1,069,890	3.64~4.99	2017	909,135
Current portion of long-term other loans:						
– secured	–	–	–	4.99	2017	1,400
– unsecured	–	–	–	4.80	2017	100,000
Finance lease payables						
– secured	4.75~5.56	2017~2018	64,011	4.75~5.56	2017	201,529
Bonds payables						
– secured	5.20~6.43	2017~2018	218,145	6.22~6.38	2017	1,586,530
– unsecured	2.99~4.89	2017~2018	1,344,159	3.26~3.34	2017	848,397
			6,766,708			6,284,903
Non-current:						
Bank loans – secured	4.28~5.23	2018~2020	563,054	4.28~5.23	2018~2020	852,212
– unsecured	3.92~4.99	2018~2020	6,256,752	3.64~4.99	2018~2019	4,648,087
Other loans – unsecured	5.00	2019	1,500,000	5.00	2019	1,500,000
Bonds payable						
– secured	5.20~6.43	2018~2020	546,441	5.20~6.43	2018~2020	764,374
– unsecured	3.13~4.69	2018~2021	3,942,231	3.13~4.69	2018~2021	3,935,883
Finance lease payables						
– secured	4.75	2020	995,303	–	–	–
Due to a related party						
– unsecured	4.75	2018~2019	1,500,000	4.75	2018~2019	1,500,000
			15,303,781			13,200,556
			22,070,489			19,485,459

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**5,140,393**	3,547,047
In the second year	**3,724,787**	2,912,091
In the third to fifth years, inclusive	**3,095,020**	2,588,208
	11,960,200	9,047,346
Other borrowings repayable:		
Within one year	**1,626,315**	2,737,856
In the second year	**4,240,960**	2,212,425
In the third to fifth years, inclusive	**4,243,014**	5,487,832
	10,110,289	10,438,113
	22,070,489	19,485,459

Notes:

(a) As at 30 June 2017, the Group's bank and other borrowings secured by lease receivables were RMB3,396,526,000 (31 December 2016: RMB4,442,477,000), of which RMB1,367,626,000 (31 December 2016: RMB3,656,983,000) were also secured by cash and bank balances and time deposits; the Group's gross lease receivables pledged as security for the Group's bank and other borrowings were RMB4,087,394,000 (31 December 2016: RMB4,735,186,000).

(b) 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 and a fixed coupon rate of 5.70% in Hong Kong (the "Bonds"). The Bonds were listed on the Stock Exchange and are due 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 30 June 2017, the amortised cost of the Bonds amounted to nil (31 December 2016: RMB1,586,530,000).

(c) 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 RMB229,858,000 was purchased by CULC itself and thus no proceeds were received. As at 30 June 2017, the amortised cost of the debt securities issued amounted to RMB764,586,000 (31 December 2016: RMB764,374,000).

15. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)	**30 June 2017 (Unaudited) RMB'000**	31 December 2016 (Audited) RMB'000
Issued and fully paid ordinary shares	**1,716,304,580**	1,716,304,580	**4,327,842**	4,327,842

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

	Number of shares in issue	Share capital RMB'000
As at 1 January 2017 and 31 December 2016 (Audited)	1,716,304,580	4,327,842
As at 30 June 2017 (Unaudited)	1,716,304,580	4,327,842
As at 1 January 2016 and 31 December 2015 (Audited)	1,716,304,580	4,327,842
As at 31 December 2016 (Audited)	1,716,304,580	4,327,842

16. RESERVES

The amounts of the Group's reserves and the movements therein for the interim condensed consolidated financial statements are presented in the consolidated statement of changes in equity.

Capital reserve

The capital reserve represents the share-based compensation reserve which comprises the fair value of the shares awarded under the share transfer to the management of the Group (see note 17) recognised in accordance with the accounting policy adopted for equity compensation benefits.

16. RESERVES (CONTINUED)

Statutory reserve

Pursuant to the relevant laws and regulations and the articles of association of the subsidiaries of the Company in the PRC, 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 its profit after taxation reported in its 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 contribution 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 this 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.

17. SHARE-BASED PAYMENTS

On 10 October 2014, arrangements were entered into by the Company's shareholders CITIC Capital Leasing Ltd. ("CITIC Capital") and Jublon Capital Limited ("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 was determined by a professional valuer engaged by the Group, using the market approach, at US$2.18 per share as of 28 September 2014, which was the grant date.

17. SHARE-BASED PAYMENTS (CONTINUED)

The shares were transferred to these management personnel of the Group at below fair value as incentives for 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 serious breach of employee agreement, 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 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 RMB33,302,000, 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 nil for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB9,364,000) in respect of these share-based payments.

18. CONTINGENT LIABILITIES

At the end of reporting period, there was no contingent liability that was not provided for the interim condensed consolidated financial statements.

19. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in notes 11, 12 and 14 to the interim condensed consolidated financial statements.

20. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased its medical equipment under operating lease arrangements, with leases negotiated for 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 the medical equipment.

20. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) As lessee

The Group leases certain properties as its office premises under operating lease arrangements. Lease terms for properties range from one to five years.

As at 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within one year	**16,516**	21,400
In the second to fifth years, inclusive	**16,398**	15,560
	32,914	36,960

21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20(b) above, the Group had the following capital commitments and credit commitments at the end of the reporting period:

(a) Capital commitments

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for	**2,620**	6,106

(b) Credit commitments

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Credit commitments	**888,610**	1,316,461

Credit commitments represent undrawn finance lease facilities agreed and granted to customers. They are conditionally revocable commitments.

22. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 11, 12, 13 and 14 to the interim condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the reporting period.

(a) Transactions and balances 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 one of the major shareholders of the Company.

The companies under Genertec Group which had transactions and balances with the Group during the reporting period are subsidiaries of Genertec Group.

(i) Prepayments, deposits and other receivables

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Due from related parties		
Genertec Finance Co., Ltd.	**–**	68
General Technology Group Property Management Ltd.	**919**	915
Genertec Italia s.r.l.	**743**	743
Paryocean Properties Company Limited	**260**	268
China National Instruments Import & Export (Group) Corporation	**38**	38
	1,960	2,032

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

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions and balances with Genertec Group and companies under Genertec Group (Continued)

(ii) Other payables and accruals

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Due to related party		
Genertec Finance Co., Ltd.	**594**	2,111

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

(iii) Interest income from cash in bank

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Genertec Finance Co., Ltd.	**2,094**	1,801

The interest income was charged at the rate 1.15% per annum.

(iv) Purchases of products and leased assets from a related party

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Genertec Italia s.r.l.	**803**	1,577

The purchases from the related party were made on terms mutually agreed between the Group and the party.

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions and balances with Genertec Group and companies under Genertec Group (Continued)

(v) *Rental expenses*

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Genertec Group	**1,656**	1,656
General Technology Group Property Management Ltd.	**5,250**	5,491
Paryocean Properties Company Limited	**320**	278

The rental expenses paid to related parties are made on terms mutually agreed between the Group and the respective parties.

(vi) *Interest expense on borrowings*

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Genertec Finance Co., Ltd.	**33,766**	5,324

The interest expenses were charged at rate of 4.75% per annum.

(vii) *Finance lease income*

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Harbin Measuring & Cutting Tool Group Co., Ltd.	**–**	211
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.	**–**	81

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions and balances with Genertec Group and companies under Genertec Group (Continued)

(viii) Consulting service fees

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
China National Instruments Import & Export (Group) Corporation	**–**	585
GENERTEC AMERICA, INC	**–**	132

The consulting service expenses were charged based on prices mutually agreed between the parties.

(ix) Transportation expense

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Genertec International Logistics Co., Ltd.	**83**	–

The related party transactions in respect of items (iii), (iv), (v), (vi), (vii), (viii) and (ix) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(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 reporting period, the Group's significant transactions with other government-related entities constituted a large portion of finance lease services and advisory services. In addition, substantially all restricted deposits, cash and cash equivalents and borrowings as at 30 June 2017 and 31 December 2016 and the relevant interest earned and paid during the six months ended 30 June 2017 and 2016 were transacted with banks and other financial institutions which are controlled by the PRC government.

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term employee benefits	**3,727**	3,061
Equity-settled share award arrangements	**–**	5,618
Total compensation	**3,727**	8,679

23. 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 parts 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 30 June 2017, lease receivables with an original carrying amount of RMB543,513,000 (31 December 2016: RMB1,241,577,000) have been securitised by the Group under arrangements in which the Group retained continuing involvement in such assets. As at 30 June 2017, the carrying amount of assets that the Group continued to recognise was RMB43,960,700 (31 December 2016: 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 RMB43,960,700 (31 December 2016: RMB64,916,000).

24. 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 other borrowings.

Cash and cash equivalents, restricted deposits, accounts receivable and 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 long-term interest-bearing bank and other borrowings excluding bonds issued

Substantially all of the lease receivables and long-term interest-bearing bank and other borrowings, excluding bonds issued, are on floating rate terms bearing interest at prevailing market interest rates and their carrying values approximate to their fair values.

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments not measured at fair value (Continued)

Bonds issued

The fair value of the bonds was calculated based on quoted market prices or a discounted cash flow model that is 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 values on the statement of financial position.

	Carrying amounts		**Fair values**	
	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000	**30 June 2017 (Unaudited) RMB'000**	31 December 2016 (Audited) RMB'000
Bonds issued	**6,050,976**	7,135,184	**5,860,770**	7,074,561

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 non-current portion of financial assets included in deposits and other receivables, and the fair values of 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 difference between the carrying amounts and fair values of those financial assets and liabilities is not significant.

24. 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 values of the asset-backed securities recognised as available-for-sale investments are measured using discounted cash flow analysis that calculates the fair values 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 included default rate, loss given default, and prepayment rate and yield of the securities' underlying assets. As at 30 June 2017, fair value changes resulting from changes in the unobservable inputs were not significant.

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets and liabilities measured at fair value:

As at 30 June 2017 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments				
– Interest rate swap contracts	**–**	**6,218**	**–**	**6,218**
Available-for-sale investments				
– Asset-backed securities	**–**	**–**	**43,961**	**43,961**

As at 31 December 2016 (Audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments				
– Interest rate swap contracts	–	7,828	–	7,828
Available-for-sale investments				
– Asset-backed securities	–	–	64,916	64,916

Liabilities for which fair values are disclosed:

As at 30 June 2017 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	**5,125,967**	**734,803**	**–**	**5,860,770**

As at 31 December 2016 (Audited)

	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

During the six months ended 30 June 2017, there were no transfers at fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (year ended 31 December 2016: Nil).

25. EVENTS AFTER THE REPORTING PERIOD

(a) On 19 July 2017, CULC issued the second tranche of the domestic super short-term financing bonds (the "T2 Financing Bonds") of an aggregate principal amount of RMB500 million. The maturity of the T2 Financing Bonds will be 270 days from 20 July 2017, with a fixed interest rate of 4.70%. The issue price is RMB100 per financing bond, which is equal to 100% of the principal value of the T2 Financing Bonds.

(b) On 15 Aug 2017, CULC issued the first tranche of domestic short-term financing bonds (the "T1 Bonds") of an aggregate principal amount up to RMB450 million in the PRC. The maturity of the T1 Bonds will be 365 days from 16 August 2017, with a fixed interest rate of 4.73%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the T1 Bonds.

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 22 August 2017.

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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