環球醫療金融與技術咨詢服務有限公司

UNIVERSAL MEDICAL FINANCIAL & TECHNICAL ADVISORY SERVICES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock code : 2666

ANNUAL REPORT 2017

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Directors

Mr. Zhang Yichen *(Chairman)*
Mr. Jiang Xin *(Vice-chairman)***
Mr. Luo Xiaofang *(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. Han Demin
Mr. Zeng Yu*
Mr. Jiang Xin#**
Mr. Luo Xiaofang##

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

RISK CONTROL COMMITTEE

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

COMPANY SECRETARY

Ms. Cheng Pik Yuk

AUTHORISED REPRESENTATIVES

Ms. Peng Jiahong
Ms. Cheng Pik Yuk

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

SHARE REGISTRAR

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

* Resigned with effect from 4 May 2017
** Resigned with effect from 1 March 2018
\# Appointed with effect from 4 August 2017
\#\# Appointed with effect from 1 March 2018

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
"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
"CULC"	China Universal Leasing Co., Ltd. (中國環球租賃有限公司), a wholly foreign-owned enterprise incorporated in China on 1 November 1984 and a wholly-owned subsidiary of our Company

"CVA"	cerebral vascular accident
"Director(s)"	the director(s) of the Company
"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
"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 annual report, excluding Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus issued by the Company on 24 June 2015
"Remuneration Committee"	the remuneration committee of the Board
"Risk Control Committee"	the risk control committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Securities Dealing Code"	the Company's own code of conduct regarding directors' and employee's dealings in the Company's securities
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

"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
"Uni-One"	Universal Number One Co., Ltd, a company incorporated with limited liability under the laws of the Cayman Islands on 30 June 2008 and a direct wholly-owned subsidiary of our Company
"USD"	United States dollars, the lawful currency of the United States
"Xi'an Qinrun"	Xi'an Qinrun Medical Technology Development Co., Ltd.* (西安秦潤醫療科技發展有限公司), a wholly-owned subsidiary of First Affiliated Hospital
"Xi'an Ronghui"	Xi'an Ronghui Hospital Construction Management Co., Ltd. (西安融慧醫院建設管理有限公司), a wholly-owned subsidiary of our Company
"Xi'an Wanheng"	Xi'an Wanheng Medical Technology Development Co., Ltd. (西安萬恒醫療科技發展有限公司), a company established jointly by Universal Medical and First Affiliated Hospital, through their respective wholly-owned subsidiaries, on 13 January 2017

CORPORATE PROFILE

Universal Medical Financial & Technical Advisory Services Company Limited and its subsidiaries are a leading medical and health conglomerate. Focusing on the fast-growing healthcare service industry in China and leveraging on our diversified healthcare resources platform and strong financial capacity, we are committed to enhancing hospitals' comprehensive capabilities in terms of healthcare technology, service quality, operating efficiency as well as managerial capacity.

The controlling 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), a key state-owned enterprise under direct administration of the PRC central government and also a Fortune Global 500 company.

Since our incorporation, leveraging on our in-depth insights into healthcare industry and rich experience of providing services to hospitals over the years, our strong financial capacity and business developing capability, we have accumulated over a thousand hospital customers across China, established good cooperation with hundreds of domestic and foreign well-known medical experts and academic leaders and formed strategic partnerships with famous healthcare services institutions in China, the United States, the United Kingdom, Germany and Norway, etc. Through our continuous expansion of healthcare resources, we have established a unique and innovative business model, providing customers with integrated healthcare services, which comprise healthcare financial services, hospital investment and management services, healthcare technology services focusing on clinical department upgrade, and healthcare digitalization services. Our headquarter is located in Hong Kong and we have set up an operation center in Beijing. We have also established four subsidiaries in Tianjin Free Trade Zone, set up or purchased three subsidiaries of International Land Port Hospital of the First Affiliated Hospital, and established representative offices in major cities of various provinces in China such as Guangdong, Shaanxi, Shandong, Henan, Hunan, Sichuan and Heilongjiang, further strengthening our business network through which our successful regional experience could be used to guide our work in the surrounding areas and then be applied nationwide.

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

CEO'S STATEMENT

The year of 2017 was crucial in terms of implementing the "Healthy China 2030" plan and carrying out the medical and healthcare system reform under the "13th Five-year Plan". The CPC and the state continue to pay huge attention to people's health. General Secretary Xi Jinping emphasized in the report at the 19th CPC National Congress that we should implement the Healthy China strategy and a healthy population is a key indicator of the national prosperity, which demonstrates the key role of population health at the national strategic level. With a great deal of attention from the state and the promulgation of a series of policies such as those advancing the construction of medical consortia and encouraging social forces to provide multi-level and diversified medical services, China's medical and health markets have seen huge driving force and vast room for its continuing development.

In August 2017, six ministries and commissions including SASAC jointly issued the Guidance on Deepening the Reform of Educational and Medical Institutions of State-owned Enterprises (Guo Zi Fa Gai Ge [2017] No.134), and required the state-owned medical institutions to complete the centralization of their management, restructuring or transfer by the end of 2018; and "support the state-owned enterprises or state-owned capital investment and operation companies, whose principal business is healthcare, to consolidate the medical institutions of state-owned enterprises through methods such as asset transfer, nil-consideration assignment and entrustment to achieve professional operations and centralized management". This policy provides support to our potential mergers and acquisitions of state-owned enterprise hospitals and brings historic opportunities for the development of our hospital investment and management business.

During the year, our strategic objectives and development path were clearer. We continued to adhere to the principle of providing quality integrated medical services to help comprehensively enhance the technical and service capabilities of medical institutions of China. Thanks to the hard work of our employees, the strong support from our shareholders as well as the help and guidance of people from all walks of life, we have achieved good operating results. In 2017, the Company realized a total revenue of RMB3,419 million, representing an increase of 26.6% over the last year. Our profit before tax amounted to RMB1,576 million, representing an increase of 30.7% over the last year. We continued to keep good quality of our assets and improve our risk management system. Our abilities of obtaining financing on a stand-alone basis gradually improved and our various businesses maintained a good momentum.

Based on the steady development of our medical finance business, we made greater efforts to develop our hospital investment and management business. On the one hand, we implemented, in a steadfast manner, projects such as the construction of the International Land Port Hospital and the new east district of the First Hospital of Handan City. On the other hand, we seized the opportunities brought by favorable policies to carry out the acquisition and restructuring of hospitals of state-owned enterprises and entered into a letter of intent with a number of state-owned enterprises and their quality hospitals. At the same time, we have introduced an international medical information technology team, focusing on the provision of healthcare information services, and building up an Internet healthcare system comprising remote clinics, integrated information solutions and smart healthcare platforms.

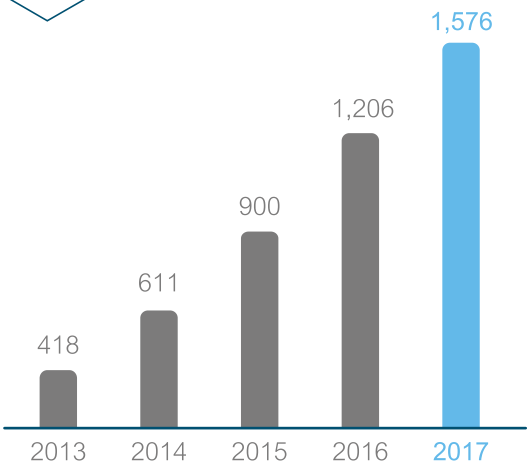
Looking forward, under the policy of encouraging social capital to participate in the medical reform of China and driven by the increasingly diversified and multi-level medical needs of the people, we will actively grasp the industrial development opportunities brought by the national policies and make the best use of our hospital client base and excellent medical resources at home and abroad. In addition, to conform to the state's requirements of constructing tiered medical system, we will establish a good medical service system step by step comprising hospitals at all levels by means of building up regional medical consortia. We will continue to integrate internal and external quality resources, innovate business development models, and improve our comprehensive medical service system that integrates medical finance, hospital investment management, medical technology services and medical informationization, and strive to become a leading medical and health conglomerate in China.

Lastly, on behalf of the management and all employees of Universal Medical, I would like to express my sincere gratitude to investors, customers and partners who have supported and paid great attention to the development of the Company. In the future, based on the domestic market and embracing the global market, Universal Medical will leverage resources by capital, promote development by innovation, and assume responsibilities for employees, customers, shareholders and the society by providing high-quality integrated medical services, and will make a greater contribution to the improvement of human health.

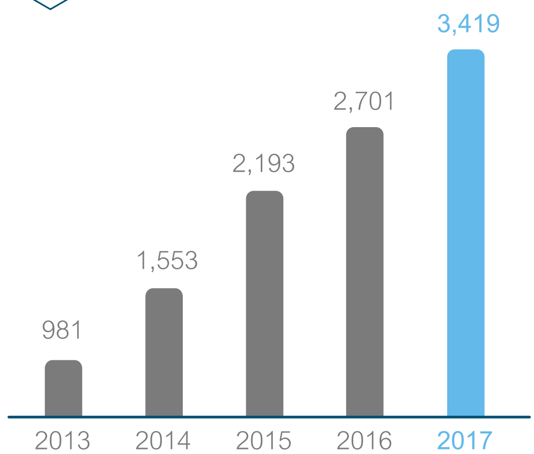
Best regards,
Guo Weiping
Executive Director and Chief Executive Officer
Universal Medical Financial & Technical Advisory Services Company Limited

PERFORMANCE OVERVIEW

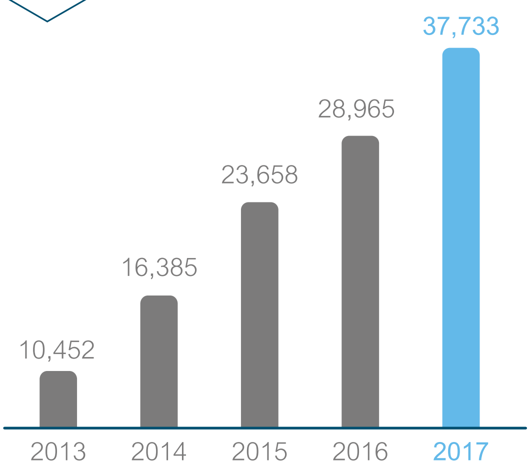
Profit before tax RMB million



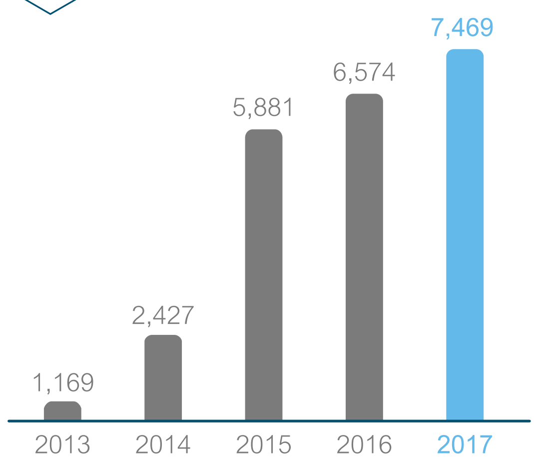
Income RMB million



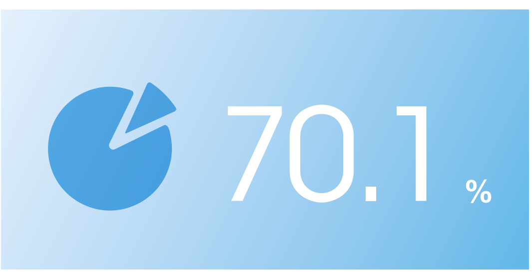
Total asset RMB million



Total equity RMB million

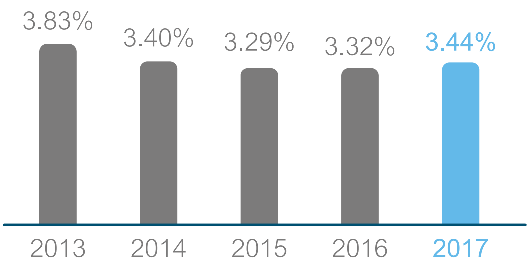


Precentage of healthcare lease receivables

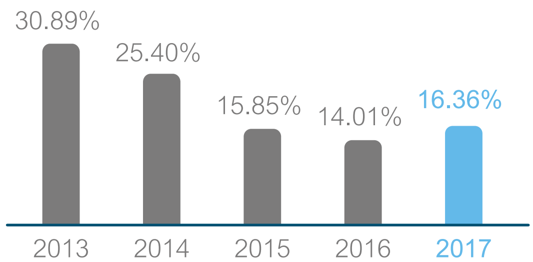


Net assets per share

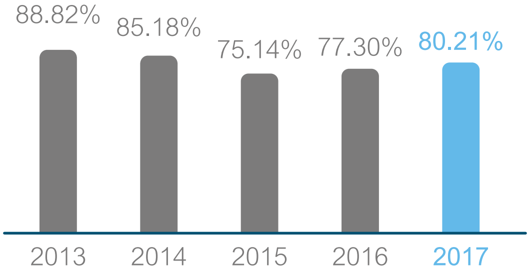
Return on total assets



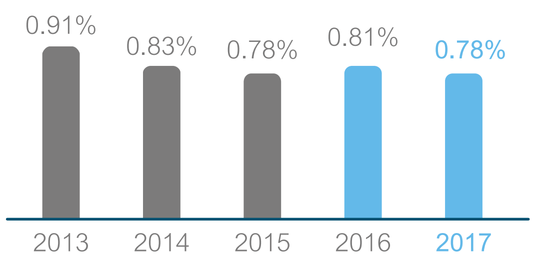
Return on equity



Debt ratio



NPA ratio



EPS (Basic and Diluted)

0.67 RMB

Net Interest Spread

3.51 %

	For the year ended 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Operating Results					
Income	**3,418,829**	2,700,916	2,193,398	1,552,682	981,458
Finance lease income*	**2,457,728**	1,941,183	1,462,018	1,032,757	579,053
Industry, equipment and financing advisory income*	**703,240**	601,303	585,555	441,973	348,895
Clinical department upgrade services income*	**180,135**	156,500	143,452	77,514	53,498
Hospital investment and management income*	**77,468**	–	–	–	–
Cost of sales	**(1,244,640)**	(965,970)	(884,851)	(619,594)	(348,619)
Interest expense	**(1,130,294)**	(940,155)	(864,165)	(596,954)	(325,449)
Cost of clinical department upgrade services	**(42,895)**	(25,815)	(20,581)	(22,537)	(23,170)
Cost of hospital investment and management	**(71,451)**	–	–	–	–
Profit before tax	**1,576,461**	1,205,945	900,274	611,082	418,344
Profit for the year	**1,148,679**	872,310	658,526	456,638	312,738
Basic and diluted earnings per share (RMB)	**0.67**	0.51	0.44	0.51	0.51
Profitability Indicators					
Return on total assets(1)	**3.44%**	3.32%	3.29%	3.40%	3.83%
Return on equity(2)	**16.36%**	14.01%	15.85%	25.40%	30.89%
Net interest margin(3)	**4.41%**	4.36%	3.42%	3.73%	3.78%
Net interest spread(4)	**3.51%**	3.31%	2.56%	2.93%	2.80%
Net profit margin(5)	**33.60%**	32.30%	30.02%	29.41%	31.86%
Cost to income ratio(6)	**24.09%**	25.27%	29.91%	24.76%	28.91%

* After taxes and surcharges

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

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

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

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

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000	31 December 2015 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
Assets and Liabilities					
Total assets	**37,732,513**	28,964,583	23,657,881	16,385,316	10,452,434
Net lease receivables	**35,021,292**	27,160,141	21,600,652	15,850,139	9,698,361
Total liabilities	**30,263,687**	22,390,192	17,776,681	13,957,817	9,283,691
Interest-bearing bank and other borrowings	**26,882,695**	19,485,459	15,458,354	11,408,252	7,905,816
Total equity	**7,468,826**	6,574,391	5,881,200	2,427,499	1,168,743
Net assets per share (RMB)	**4.35**	3.83	3.43	1.91	1.91
Financial Indicators					
Debt ratio(1)	**80.21%**	77.30%	75.14%	85.18%	88.82%
Gearing ratio(2)	**3.60**	2.96	2.63	4.70	6.76
Current ratio(3)	**0.98**	1.25	0.98	0.88	0.79
Asset Quality					
Non-performing assets ratio(4)	**0.78%**	0.81%	0.78%	0.83%	0.91%
Provision coverage ratio(5)	**189.92%**	183.85%	171.47%	166.10%	151.01%
Write-off of non-performing assets ratio(6)	**0.00%**	0.00%	0.00%	0.00%	0.00%
Overdue ratio (over 30 days)(7)	**0.44%**	0.51%	0.46%	0.96%	0.92%

(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/interest earning net 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 years;

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW AND PROSPECTS

In 2017, we continued to reinforce our operating foundation and each of our business segments developed in a synergetic and orderly manner. Our medical financial services continued to maintain a good momentum. Our hospital investment and management business steadily progressed under favorable policies and the contents of our medical technology services were further enriched. Our medical informatization business also made preliminary progress. In 2017, the revenue of the Group was RMB3,418.8 million, representing an increase of 26.6% over the last year. Profit before tax was RMB1,576.5 million, representing an increase of 30.7% over the lase year. Our net interest margin continuously increased, asset size steadily enlarged and asset quality remained good.

After years of development and accumulation, leveraging our strong background as a central state-owned enterprise, the Group gradually built up its unique competitive strengths including abundant domestic and overseas medical resources, extensive customer network, professional business development capability and complete project evaluation system, having laid a solid foundation for the Company to become a leading medical and healthcare conglomerate in China.

1.1 Vigorously promoting hospital investment and management business

In 2017, the Group made the best use of its own resource advantages, actively seized the opportunities brought by policies, and made greater efforts to promote the development of hospital investment and management business. On the one hand, we steadily moved forward the implementation of the projects under definitive agreements and the materialization of proposed cooperative projects. On the other hand, we seized the opportunity offered by the reform policies in relation to the spin-off of state-owned enterprises' hospitals and actively commenced negotiations on the consolidation of medical institutions of state-owned enterprises.

The International Land Port Hospital project progressed orderly

First Affiliated Hospital of Xi'an Jiaotong University (西安交通大學第一附屬醫院) (the "First Affiliated Hospital") is a large-scale comprehensive Grade III Class A hospital administered by the National Health and Family Planning Commission (國家衛生和計劃生育委員會) (the "NHFPC") with leading medical technology and service quality in Northwest China. International Land Port Hospital is a branch of the First Affiliated Hospital. Our 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.

As of the end of 2017, through public bidding, China IPPR International Engineering Company Limited and Tengbomgruppen AB had been selected as the designers for the construction project of International Land Port Hospital. Based on the implementation of project design, we completed various preparatory work for the construction such as geological prospecting. The earthworks for the project officially commenced in November 2017. In terms of supply chain operations, the project-related companies have been established or acquired, the warehouse has been renovated and reconstructed, the construction of the internal management system has been completed, information system has been launched on-line, and professionals have been recruited and trained. A management platform of transparent procurement of medical supplies has been set up as the only portal working with hospitals and distributors to carry out all the activities such as procurement, warehousing and payment review. As the technology tests of the platform had been completed in early March 2018 and the First Affiliated Hospital has published the notice letter in respect of the platform's operation to all the suppliers, the platform has been technically ready for its formal on-line operation. The next step would be pushing forward the relevant work in relation to taking over the supply chain of the First Affiliated Hospital.

The cooperation project of the new east district of Handan First Hospital progressed steadily

On 31 August 2016, the Group signed a framework agreement with Handan First Hospital on the cooperation and joint construction of the new east district of Handan First Hospital. Handan is an important gateway city in southern Hebei and the central city in the region of Shanxi-Hebei-Shandong-Henan. Handan First Hospital is a large-scale comprehensive Grade III Class A hospital integrating medical care, teaching, scientific research, prevention, healthcare and rehabilitation with leading medical strength in Handan city. The new east district under planning and construction is positioned primarily as a specialized hospital and to a less extent, as a comprehensive hospital. In the future, the new east district and the hospital will jointly offer medical services to nearly 25 million people in the Shanxi-Hebei-Shandong-Henan region. At present, the preparation work for entering into definitive project contract is moving steadily forward.

The negotiations on the spin-off and consolidation of medical institutions of state-owned enterprises were well under way

In recent years, as the medical reform continues to be deepened, the hospital investment and acquisition market has seen a broad range of opportunities for development. In particular, on 3 August 2017, six ministries and commissions including the State-owned Assets Supervision and Administration Commission of the State Council jointly issued the Guidance on Deepening the Reform of Educational and Medical Institutions of State-owned Enterprises (Guo Zi Fa Gai Ge [2017] No.134). This guidance clearly requires the reform of medical institutions of state-owned enterprises by way of spin-off should be substantially completed by the end of 2018, and proposes to support the state-owned enterprises primarily engaged in healthcare to consolidate the resources of the medical institutions. This provides an excellent opportunity for the Group's merger, acquisition and consolidation of the state-owned medical institutions. As a company controlled by a central state-owned enterprise, the Group responded positively to the policy and promptly organized its business team to contract a number of major state-owned enterprises and their affiliated hospitals. At present, the Group has reached preliminary cooperation intention with a number of state-owned enterprise groups and their affiliated prime hospitals.

Talent team for hospital investment and management has been strengthened

The Group continued to strengthen its internal pool and extensively recruited professionals experienced in hospital operation and management, planning and construction, as well as pharmaceutical supply chain operations, actively reserving talents for the development and post-investment implementation of hospital investment and management projects. By the end of 2017, the Group had a dedicated team of more than 100 people in hospital operation and management, planning and construction, as well as pharmaceutical supply chain operations.

In the hospital investment and management business, the Group is committed to working closely with the leading hospitals in the relevant regions to gradually bring in other hospitals to create a medical consortium led by leading hospitals and composed by other hospitals at different levels, in order to share medical and patients resources and orderly consolidate services within the consortium.

1.2 Continuing to improve the medical financial services

The Group continued to expand its medical finance business, strengthen its operating foundation and strive to achieve its development goals. In 2017, facing the increasingly fierce competition in the financial leasing market, the Group required its business teams to further strengthen the intensity of their operation in the relevant regions and continue to enhance business development, which enabled the Group to achieve a steady growth in assets and a sustained high return on interest-earning assets. At the same time, under the complicated domestic and overseas financial environment, the Group actively adjusted its financing strategies, optimized its debt structure, and worked hard to reduce cost rate of interest-bearing liabilities. Our net interest margin continued to rise. As always, we implemented prudent risk control procedures and stringent asset management measures, and our asset quality remained in the leading position among the industry peers.

- **The yield on interest-earning assets remained at a high level despite the slight decrease.** The average yield on interest-earning assets of the Group decreased slightly as compared with the same period of the previous year under the increasingly competitive financial leasing market environment, but still remained at a relatively high level as a result of the steady development of our customer base. In 2017, the average yield on interest-earning assets of the Group was 8.14%, representing a decrease of 0.26 percentage point from 8.40% of the last year.

- **The cost rate of interest-bearing liabilities decreased significantly.** In light of the domestic and overseas changes in the financing environment, the Group made accurate judgements of the market situation, rationally selected the regions and currencies for financing, and strictly controlled financing costs through various measures. Compared with 2016, the average cost rate of interest-bearing liabilities decreased significantly. In 2017, the average cost rate of interest-bearing liabilities of the Group was 4.63%, representing a decrease of 0.46 percentage point from 5.09% of the previous year.

- **Adapting to changes in the macroeconomic environment and actively adjusting and optimizing financing structure.** Under the complex domestic and international financial environment, the Group actively adjusted its financing strategies, optimized debt structures and further enhanced its financing capability. Due to the substantial increase in the capital cost of the domestic bond market, the Group reduced its scale of direct financing and increased the proportion of bank loans. As at the end of 2017, direct financing accounted for 22.7% of total interest-bearing liabilities, representing a decrease of 13.9 percentage points from 36.6% as at the end of 2016. In addition, after considering factors such as the cost of locking in exchange rates, the Group believed that foreign currency borrowings had certain advantages. Therefore, the Group obtained some domestic and foreign loans denominated in US dollar and Hong Kong dollar. As at the end of 2017, foreign currency borrowings accounted for 14.6%, representing an increase of 9.3 percentage points from 5.3% as at the end of 2016.

- **Assets steadily grew with good quality.** As at 31 December 2017, the total assets of the Group amounted to RMB37,732.5 million, representing an increase of 30.3% as compared with the end of 2016. The proportion of healthcare assets in finance lease receivables was 70.1%, showing the Group's assets concentration in healthcare industry. Non-performing assets ratio was 0.78% and the overdue ratio (30 days) was 0.44%, representing a leading position in the industry. We maintained a prudent provision policy and the Group's asset provision coverage ratio reached 189.92% as of 31 December 2017.

1.3 Continuing to expand the clinical department upgrade services

With the continuous enrichment of medical resources, the Group's clinical department upgrade services were further expanded. The gross profit of the Group's clinical department upgrade services reached RMB137.2 million in 2017, representing an increase of 5.0% over the previous year.

With healthcare resources diversifying, the Group further expanded its clinical department upgrade services and continued to promote the upgraded and innovative service model of cerebral stroke departments by systematical trainings on technology in respect of prevention, diagnosis and treatment of cerebral stroke and disease management, and formulated plans tailored for the development needs of hospital customers, striving to help hospitals raise the level of cerebral stroke prevention and treatment. Meanwhile, we have expanded the innovative model to other disciplines including ontology, gynaecology and obstetrics, cardiovascular department and rehabilitation. In October 2017, with the strong support of the Stroke Centre of Brain Disease Control Committee of the NHFPC, the Group successfully held Smile Stroke Conference and the 10^{th} Sino-U.S. Cerebrovascular Disease Forum for the seventh consecutive year. The concept of cerebral stroke prevention, treatment and screening, advanced equipment and cutting-edge technologies were introduced to a number of county-level hospitals in China. Recently, the Group also entered into framework agreements on technical training for cerebral stroke prevention and control projects with the Health and Family Planning Bureau of Handan City, Hebei Province, the Health and Family Planning Bureau of Xinyang City, Henan Province, Nanfang Hospital of Guangdong Province, Zhuhai Branch of People's Hospital of Guangdong Province (Central Hospital of Jinwan, Zhuhai City), Central Rehabilitation Hospital of Gansu Province, etc., continually promoting stroke prevention, screening and treatment capabilities of local healthcare institutions.

1.4 Enhancing efforts to cultivate healthcare digitalization services

The Group grasped the opportunity of "Internet + healthcare" development, recruited talents in the field of healthcare digitalization at home and abroad, introduced advanced healthcare digital technology and experience in and outside China, and independently carried out the research and development of healthcare digital technology to provide hospital customers with customized and personalized Internet healthcare products. In December 2017, the Group, Qiqihar First Hospital and Yiyuan Doctor Group signed the Qiqihar First Hospital Healthcare Digitalization Cooperation Framework Agreement. The agreement provides for cooperation in six aspects, namely, diagnosis and treatment platform, healthcare digitalization, doctors' group, medical and health data, Internet healthcare industrial chain, and cooperation and expansion. The signing of the agreement represents a preliminary achievement of the healthcare digitalization business of the Group, laying a solid foundation for the continued expansion of the healthcare digitalization segment of the Group and the synergistic promotion of our other businesses.

1.5 Future prospects

The year of 2017 was a year in which the Group made progress while maintaining stability and made impressive achievements based on accumulated efforts. We have been adhering to the integrated development strategy. While continuing to consolidate the medical financial business, we have steadily promoted the implementation of hospital investment and management projects either under definitive agreements or under cooperation intentions, and reinforced operating foundations for each business segment.

In 2018, the Group will stick to the established development strategy, actively respond to changes in the market conditions, and actively seize the industrial development opportunities brought by national policies. The Group will continue to integrate internal and external quality resources, innovate business development models, and accelerate the business deployment in all relevant sectors. Moreover, the Group will continue to improve the integrated medical service integrating medical finance, hospital investment and management, medical technical services and healthcare digitalization, and will strive to develop into a leading medical and healthcare conglomerate in China.

2. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

2.1 Overview

In 2017, the Group seized the development opportunities in the healthcare industry, continued to innovate its business development model, consolidated its operational foundation, and achieved a steady growth in operating results. In 2017, the Group recorded a revenue of RMB3,418.8 million, representing an increase of RMB717.9 million or 26.6% as compared to the previous year. Profit before tax was RMB1,576.5 million, representing an increase of RMB370.5 million or 30.7% as compared to the previous year.

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

	For the year ended 31 December		
	2017 **RMB'000**	2016 RMB'000	Change
Revenue	**3,418,829**	2,700,916	26.6%
Cost of sales	**(1,244,640)**	(965,970)	28.8%
Gross profit	**2,174,189**	1,734,946	25.3%
Other income and gains	**60,810**	28,616	112.5%
Selling and distribution costs	**(334,203)**	(277,251)	20.5%
Administrative expenses	**(303,287)**	(277,232)	9.4%
Financial costs	**(122)**	–	100.0%
Other expenses	**(20,926)**	(3,134)	567.7%
Profit before tax	**1,576,461**	1,205,945	30.7%
Income tax expense	**(427,782)**	(333,635)	28.2%
Profit for the year	**1,148,679**	872,310	31.7%
Basic and diluted earnings per share (RMB)	**0.67**	0.51	31.7%

2.2 Analysis of Business Revenue

In 2017, focusing on the fast-growing healthcare service industry in China, the Group saw synergetic development in various business segments and achieved stable growth in business revenue.

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

	For the year ended 31 December				
	2017		2016		
	Gross profit RMB'000	**% of total**	Gross profit RMB'000	% of total	Change
Finance lease	**1,327,434**	**61.1%**	1,001,028	57.7%	32.6%
Industry, equipment and financing advisory	**703,240**	**32.3%**	601,303	34.7%	17.0%
Clinical department upgrade services	**137,240**	**6.3%**	130,685	7.5%	5.0%
Hospital investment and management business	**6,017**	**0.3%**	–	0.0%	100.0%
Other business	**258**	**0.0%**	1,930	0.1%	-86.6%
Total	**2,174,189**	**100.0%**	1,734,946	100.0%	25.3%

In 2017, the Group's gross profit was RMB2,174.2 million, increased by RMB439.2 million or 25.3% as compared to last year. In particular, interest margin gross profit of finance lease business was RMB1,327.4 million, representing an increase of RMB326.4 million or 32.6% as compared to last year; gross profit of industry, equipment and financing advisory services was RMB703.2 million, representing an increase of RMB101.9 million or 17.0% as compared to last year; gross profit of clinical department upgrade services was RMB137.2 million, representing an increase of RMB6.6 million or 5.0% as compared to last year. The hospital investment and management business achieved a gross profit of RMB6.0 million from Shaanxi Huahong which was acquired in 2017.

2.2.1 Finance lease business

In 2017, the Group continued developing the finance lease business in a stable manner, rationalized regional distribution of business with further optimization of regional staffing, enhanced the working team's business development capability, and strived to maintain its leading position in healthcare finance lease market.

The following table sets forth the Group's finance lease income by industry:

	For the year ended 31 December				
	2017		2016		
Industry	RMB'000	% of total	RMB'000	% of total	Change
Healthcare	**1,704,397**	**69.4%**	1,493,743	77.0%	14.1%
Education	**651,816**	**26.5%**	385,863	19.9%	68.9%
Other	**101,515**	**4.1%**	61,577	3.1%	64.9%
Total	**2,457,728**	**100.0%**	1,941,183	100.0%	26.6%

The Group's finance lease income is mainly comprised of interest income. In 2017, the Group recorded interest income of RMB2,457.7 million, representing an increase of RMB516.5 million or 26.6% as compared to last year. The Group focuses on healthcare sector, and the finance lease income from healthcare industry was RMB1,704.4 million, the percentage of which as to total income was 69.4% in 2017.

The following table sets forth average yield and cost rate of finance lease business:

	For the year ended 31 December					
	2017			2016		
	Average balance RMB'000	Interest income(1)/ expense(2) RMB'000	Average yield(3)/ cost rate(4)	Average balance RMB'000	Interest income(1)/ expense(2) RMB'000	Average yield(3)/ cost rate(4)
Interest-earning assets	**30,320,834**	**2,468,362**	**8.14%**	23,237,939	1,952,243	8.40%
Interest-bearing liabilities	**24,413,022**	**1,130,294**	**4.63%**	18,451,059	940,155	5.09%
Net interest margin(5)			**4.41%**			4.36%
Net interest spread(6)			**3.51%**			3.31%

(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;

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

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

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

The net interest margin and net interest spread of the Group in 2017 increased significantly as compared to those of last year, mainly due to the sharp decrease in average cost rate of interest-bearing liabilities. The net interest margin of finance lease in 2017 was 4.41%, representing an increase of 0.05 percentage point as compared to 4.36% over the same period of last year; the net interest spread was 3.51%, representing an increase of 0.2 percentage point as compared to 3.31% in last year.

Average yield of interest-earning assets: In 2017, the average yield of the Group's interest-earning assets was 8.14%, representing a decrease of 0.26 percentage point as compared to 8.40% over the same period of last year. Benefiting from the steady development of customers, the average yield of the Group's interest-earning assets declined slightly over the same period of last year but remained at a relatively high level in the increasingly competitive finance lease market.

Average cost rate of interest-bearing liabilities: In 2017, the average cost rate of interest bearing liabilities was 4.63%, representing a decrease of 0.46 percentage point as compared to 5.09% over the same period of last year. Since the end of 2016, as affected by the interest rate hike by the Federal Reserve as well as the tight funding in China, the market interest rates have continued to rise. It has been more difficult for the Group to control the financing cost. The Group has accurately judged the market situation, reasonably utilized various financing instruments, locked in low-cost financing ahead of schedule, reasonably selected financing regions and currencies according to changes in the domestic and foreign financing situation, and flexibly adjusted the sources and proportions of funds. Faced with tight domestic funding, the Group has strictly controlled financing costs through various measures, and the average cost rate of interest-bearing liabilities has fell sharply as compared with 2016.

2.2.2 Industry, equipment and financing advisory services

Industry, equipment and financing advisory is part of the Group's integrated healthcare services. In 2017, the gross profit from industry, equipment and financing advisory services was RMB703.2 million, representing an increase of RMB101.9 million or 17.0% as compared to 2016. We continuously expanded healthcare resources platform and strengthened internal collaboration and staff training so as to provide customers with valuable, flexible and diversified comprehensive services that comprised funding support, equipment replacement, technology and management advisory, and to assist our customers in improving their service quality.

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, specialty 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 services ability and management efficiency of partnered hospitals with operating lease and sales of equipment. In 2017, the gross profit of clinical department upgrade services was RMB137.2 million, representing an increase of RMB6.6 million or 5.0% as compared to 2016.

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

	For the year ended 31 December					
	2017			2016		
	Income	**Gross profit**	**% of total gross profit**	Income	Gross profit	% of total gross profit
	RMB'000	**RMB'000**		RMB'000	RMB'000	
Clinical department upgrade advisory services	**133,715**	**133,715**	**97.4%**	122,754	122,754	93.9%
Operating lease	**16,658**	**-3,564**	**-2.6%**	20,717	1,813	1.4%
Sales of medical equipment	**29,762**	**7,089**	**5.2%**	13,029	6,118	4.7%
Total	**180,135**	**137,240**	**100.0%**	156,500	130,685	100.0%

2.2.4 Hospital investment and management business

In 2017, the Group's hospital investment and management business steadily progressed under policy opportunities, and the completion of the acquisition of Shaanxi Huahong brought the hospital investment and management business with income of RMB77.5 million and gross profit of RMB6.0 million.

2.3 Operating cost

In 2017, the Group's selling and distribution cost and administrative expenses were RMB334.2 million and RMB303.3 million, respectively, representing an increase of RMB57.0 million and RMB26.1 million or 20.5% and 9.4%, respectively, as compared to last year. This is mainly due to: (1) increase in labour cost of the Company. To satisfy the need from the corporate strategies in 2017, on the one hand, the Group proactively recruited high-calibre professionals in the field of hospital investment & management and medical technology services to further optimize the talent structure. On the other hand, the Group has set up a long-term incentive mechanism. As a result, the expenses of salary and benefits increased by RMB66.3 million as compared to last year; and (2) increase in direct operating cost. In 2017, the Group steadily expanded its finance lease business and actively promoted its hospital investment and management business, with its direct operating cost increased by RMB14.7 million as compared to last year.

In 2017, the cost to income ratio of the Group was 24.09%, representing a decrease of 1.18 percentage points from last year due to the Group's operating efficiency.

2.4 Income tax expenses

In 2017, the Group's income tax expenses of RMB427.8 million increased by RMB94.1 million from last year, which was mainly due to the increase of profit before tax.

3. FINANCIAL POSITION ANALYSIS

3.1 Overview of assets

As at 31 December 2017, the Group's total assets was RMB37,732.5 million, representing an increase of RMB8,767.9 million or 30.3% as compared to the end of last year. In particular, our loans and accounts receivable was RMB34,570.1 million, representing an increase of RMB7,809.6 million or 29.2% as compared to the end of last year; our cash and cash equivalents was RMB1,749.9 million, representing an increase of RMB477.4 million or 37.5% as compared to the end of last year. With respect to assets structure, our loan and accounts receivable accounted for 91.6% of the total assets; and the cash and cash equivalents accounted for 4.6% of the total assets.

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

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change
Restricted deposits	**932,376**	**2.5%**	660,406	2.3%	41.2%
Cash and cash equivalents	**1,749,884**	**4.6%**	1,272,458	4.4%	37.5%
Inventories	**21,045**	**0.1%**	2,054	0.0%	924.6%
Loans and accounts receivable	**34,570,089**	**91.6%**	26,760,535	92.4%	29.2%
Prepayments, deposits and other receivables	**145,237**	**0.4%**	40,883	0.1%	255.3%
Property, plant and equipment	**86,883**	**0.3%**	98,563	0.4%	-11.9%
Available-for-sale investments	**43,961**	**0.1%**	64,916	0.2%	-32.3%
Deferred tax assets	**163,876**	**0.4%**	53,544	0.2%	206.1%
Derivative financial instruments	**5,273**	**0.0%**	7,828	0.0%	-32.6%
Goodwill	**9,211**	**0.0%**	–	0.0%	100.0%
Other assets	**4,678**	**0.0%**	3,396	0.0%	37.8%
Total	**37,732,513**	**100.0%**	28,964,583	100.0%	30.3%

3.1.1 Restricted deposits and cash and cash equivalents

As at 31 December 2017, the Group had restricted deposits of RMB932.4 million, which mainly comprised pledged project refunds resulting from business such as factoring and off-balance sheet activities.

As at 31 December 2017, the Group had cash and cash equivalents of RMB1,749.9 million, which mainly comprised the unutilized overseas syndicated loans raised at the end of the year and the balance of funds raised by listing. The balance of cash and cash equivalents will be gradually arranged of use in accordance with the Group's business plan.

3.1.2 Loans and accounts receivable

As at 31 December 2017, the balance of the Group's loans and accounts receivable was RMB34,570.1 million, among which the net lease receivables was RMB34,502.9 million, accounted for 99.8% of the loans and accounts receivable.

Lease receivables

In 2017, given the continuing downward trend in China's macro-economic environment, the Group strengthened the risk management and control in a prudent manner by increasing the investment in finance lease business in healthcare industry while ensuring the asset security and laying emphasis on adjustment to finance lease assets structure and risk prevention and control side by side. The scale of finance lease assets continuously increased while the industry distribution of total assets remained stable.

Net lease receivables by industry

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

	31 December 2017		31 December 2017		
	RMB'000	**% of total**	RMB'000	% of total	Change
Healthcare	**24,545,511**	**70.1%**	19,449,931	71.6%	26.2%
Education	**7,660,015**	**21.9%**	6,455,597	23.8%	18.7%
Others	**2,815,766**	**8.0%**	1,254,613	4.6%	124.4%
Net lease receivables	**35,021,292**	**100.0%**	27,160,141	100.0%	28.9%
Less: Provision for impairment of assets	**(518,397)**		(404,588)		28.1%
Finance lease receivables, net	**34,502,895**		26,755,553		29.0%

As at 31 December 2017, net value of lease receivables of the Group was RMB34,502.9 million, representing an increase of RMB7,747.3 million or 29.0% as compared to the end of last year.

The maturity profile of the net lease receivables

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

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change
Within 1 year	**9,304,757**	**26.6%**	7,158,746	26.4%	30.0%
1-2 years	**8,696,021**	**24.8%**	6,561,621	24.2%	32.5%
2-3 years	**8,024,276**	**22.9%**	5,956,812	21.8%	34.7%
Over 3 years	**8,996,238**	**25.7%**	7,482,962	27.6%	20.2%
Net lease receivables	**35,021,292**	**100.0%**	27,160,141	100.0%	28.9%

The Group formulated reasonable business investment strategies according to the strategic plan so as to ensure the sustained and steady cash inflow. At the end of 2017, the distribution of maturity of the Group's net lease receivables was relatively balanced.

Quality of lease receivables

The following table sets forth the classification of five categories (Note) of the net lease receivables of the Group:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change
Pass	**29,537,050**	**84.34%**	22,815,652	84.00%	29.5%
Special attention	**5,211,287**	**14.88%**	4,124,424	15.19%	26.4%
Substandard	**231,269**	**0.66%**	169,633	0.62%	36.3%
Doubtful	**41,686**	**0.12%**	50,432	0.19%	-17.3%
Loss	**–**	**0.00%**	–	0.00%	0.0%
Finance lease receivables, net	**35,021,292**	**100.00%**	27,160,141	100.00%	28.9%
Non-performing assets(1)	**272,955**		220,065		24.0%
Non-performing assets 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.

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

The Group has been implementing stable asset management policies and continuously adopting stringent and prudent asset classification policies. As at 31 December 2017, the Group had non-performing assets of RMB273.0 million, representing an increase of RMB52.9 million as compared to 31 December 2016, which was mainly due to the increase in total lease receivables resulting from the expansion of the finance lease business of the Group. Meanwhile, the Group continuously improved its risk management system, adopted effective risk prevention measures and increased the effort in the collection of non-performing assets. As at 31 December 2017, the Group's nonperforming asset ratio was 0.78%.

Ratio of overdue lease receivables

The following table sets forth the ratio of the Group's lease receivables overdue for over 30 days:

	31 December 2017	31 December 2016
Overdue ratio (over 30 days)[1]	**0.44%**	0.51%

(1) Calculated as finance lease receivables, net (overdue for over 30 days) divided by finance lease receivables, net.

In 2017, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. As at 31 December 2017, the overdue ratio (over 30 days) was 0.44%, decreased by 0.07 percentage point as compared to 0.51% at the end of last year, remaining at a low level.

Provision for impairment of lease receivables

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

	31 December 2017		31 December 2016	
	RMB'000	**% of total**	RMB'000	% of total
Provision for impairment of assets				
Individually assessed	**98,966**	**19.1%**	88,557	21.9%
Collectively assessed	**419,431**	**80.9%**	316,031	78.1%
Total	**518,397**	**100.0%**	404,588	100.0%
Non-performing assets	**272,955**		220,065	
Provision coverage ratio	**189.92%**		183.85%	

As at 31 December 2017, the Group's provision coverage ratio was 189.92%, representing an increase of 6.1 percentage points from 31 December 2016. With the expansion of its business, the Group's management believes that it is imperative to take more prudent measures to protect the Group against systematic risks and move towards the international standards and practices. As such, the Group continuously increased its asset provision coverage ratio. During the reporting period, the Group did not write off any finance lease assets and it did not have any finance lease assets classified as loss.

3.2 Overview of liabilities

As at 31 December 2017, the Group's total liabilities was RMB30,263.7 million, representing an increase of RMB7,873.5 million or 35.2% as compared to 31 December 2016.

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

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change
Interest-bearing bank and other borrowings	**26,882,695**	**88.8%**	19,485,459	87.0%	38.0%
Trade and bills payable	**264,697**	**0.9%**	194,333	0.9%	36.2%
Other payables and accruals	**2,985,135**	**9.9%**	2,576,182	11.5%	15.9%
Derivative financial instruments	**16,844**	**0.1%**	–	0.0%	100.0%
Taxes payable	**70,355**	**0.2%**	69,302	0.3%	1.5%
Other liabilities	**43,961**	**0.1%**	64,916	0.3%	-32.3%
Total	**30,263,687**	**100.0%**	22,390,192	100.0%	35.2%

3.2.1 Interest-bearing bank and other borrowings

In 2017, under the complicated domestic and overseas financial environments, the Group actively adjusted financing strategies and optimized its debt structure, resulting in continuous improvement of financing structures, further enhancement of financing capabilities and more reasonable arrangements of financing currencies and regions.

The Group's interest-bearing bank and other borrowings is mainly used to provide capital for its finance lease business. As at 31 December 2017, the Group's interest-bearing bank and other borrowings was RMB26,882.7 million, representing an increase of RMB7,397.2 million or 38.0% as compared to 31 December 2016. The borrowings of the Group are mainly at floating interest rates.

The following table sets forth breakdown of interest-bearing bank and other borrowings by type:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change
Bank loans	**14,785,371**	**55.0%**	9,047,346	46.4%	63.4%
Due to related parties	**3,000,000**	**11.2%**	1,500,000	7.7%	100.0%
Bonds	**6,102,148**	**22.7%**	7,135,184	36.6%	-14.5%
Other loans	**2,995,176**	**11.1%**	1,802,929	9.3%	66.1%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, the balance of the Group's bank loans amounted to RMB14,785.4 million, accounting for 55.0% of its total interest-bearing bank and other borrowings, representing an increase of 8.6 percentage points as compared to 46.4% as at 31 December 2016.

The following table sets forth breakdown of interest-bearing and other borrowings by currency:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change
RMB	**22,949,964**	**85.4%**	18,455,632	94.7%	24.4%
USD	**2,414,831**	**9.0%**	1,029,827	5.3%	134.5%
HKD	**1,517,900**	**5.6%**	–	0.0%	100.0%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, the Group's interest-bearing bank and other borrowings denominated in RMB was RMB22,950.0 million, which accounted for 85.4% of its total interest-bearing bank and other borrowings, representing a decrease of 9.3 percentage points as compared to 94.7% as at 31 December 2016.

In 2017, affected by the tightening liquidity in China, financing cost continuously increased. In order to effectively control the financing cost, the Group properly increased borrowings denominated in foreign currency after taking into account of the lock-in costs, taxes and other factors. For borrowings denominated in foreign currency, the Group minimized the risk from the significant fluctuation of the exchange rate by implementing comprehensive measures which effectively controlled the exchange rate risk.

The following table sets forth breakdown of the interest-bearing bank and other borrowings by region:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change
Domestic	**23,145,990**	**86.1%**	16,762,603	86.0%	38.1%
Overseas	**3,736,705**	**13.9%**	2,722,856	14.0%	37.2%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, the Group's domestic financing balance was RMB23,146.0 million, accounting for 86.1% of the total interest-bearing bank and other borrowings, which remained relatively stable as compared to 86.0% as at 31 December 2016.

The following table sets forth breakdown of the current and non-current interest-bearing bank and other borrowings:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change
Current	**10,963,552**	**40.8%**	6,284,903	32.3%	74.4%
Non-current	**15,919,143**	**59.2%**	13,200,556	67.7%	20.6%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, the balance of the Group's current interest-bearing bank and other borrowings amounted to RMB10,963.6 million, accounting for 40.8% of its total interest-bearing bank and other borrowings, which represents an increase of 8.5 percentage points as compared to 32.3% as at 31 December 2016.

The following table sets forth breakdown of the secured and unsecured interest-bearing bank and other borrowings:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change
Secured	**3,970,395**	**14.8%**	4,639,457	23.8%	-14.4%
Unsecured	**22,912,300**	**85.2%**	14,846,002	76.2%	54.3%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, the Group's secured interest-bearing bank and other borrowings amounted to RMB3,970.4 million, accounting for 14.8% of the total interest-bearing bank and other borrowings of the Group, which represents a decrease of 9.0 percentage points as compared to 23.8% as at 31 December 2016. In order to reduce the overall financing cost, the Group proactively diversified its financing channels, as a result of which the proportion of our secured interest-bearing liabilities decreased.

The following table sets forth breakdown of the direct financing and indirect financing in interest-bearing bank and other borrowings:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change
Direct financing	**6,102,148**	**22.7%**	7,135,184	36.6%	-14.5%
Indirect financing	**20,780,547**	**77.3%**	12,350,275	63.4%	68.3%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, among the Group's interest-bearing bank and other borrowings, direct financing amounted to RMB6,102.1 million, accounting for 22.7% of total interest-bearing bank and other borrowings, which represents a decrease of 13.9 percentage points as compared to 36.6% as at 31 December 2016. In 2017, affected by the downturn in domestic bond market and the significant increase in interest rate, the Group made adjustment to its financing strategy and reduced 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 31 December 2017, other payables and accruals amounted to RMB2,985.1 million, representing an increase of RMB409.0 million or 15.9% as compared to the end of last year, primarily due to an increase in lease deposits paid by customers.

3.3 Shareholders' Equity

At the end of 2017, the Group's total equity amounted to RMB7,468.8 million, representing an increase of RMB894.4 million or 13.6% as compared to the end of last year, primarily due to an increase in profit for the year.

At 31 December 2017, the Group's distributable reserves, calculated under Part 6 of the Companies Ordinance, amounted to RMB2,759.0 million.

4. CASH FLOWS ANALYSIS

	For the year ended 31 December		
	2017 RMB'000	2016 RMB'000	Change
Net cash flows used in operating activities	**(5,072,151)**	(2,381,645)	113.0%
Net cash flows used in investing activities	**(90,168)**	(459,685)	-80.4%
Net cash flows from financing activities	**5,724,005**	2,175,211	163.1%
Net increase/(decrease) in cash and cash equivalents	**561,686**	(666,119)	-184.3%

Due to the Group's business expansion and an increase in the balance of interest-earning assets in 2017, net cash outflows from operating activities amounted to RMB5,072.2 million. Correspondingly, the Group increased its cash inflow from financing activities such as bank and other borrowings, as a result of which net cash inflow from financing activities amounted to RMB5,724.0 million. Net cash outflows from investing activities amounted to RMB90.2 million, primarily due to the Group's acquisition of property, equipment and other long-term assets.

5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains healthy capital ratios in order to support the Group's business and maximizes its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital. In 2017, no changes were made to the Group's objectives, policies or processes for capital management.

Debt ratio

	31 December 2017 RMB'000	31 December 2017 RMB'000
Total assets	**37,732,513**	28,964,583
Total liabilities	**30,263,687**	22,390,192
Total equity	**7,468,826**	6,574,391
Debt ratio	**80.21%**	77.30%

Gearing ratio

	31 December 2017 RMB'000	31 December 2016 RMB'000
Interest-bearing bank and other borrowings	**26,882,695**	19,485,459
Total equity	**7,468,826**	6,574,391
Gearing ratio	**3.60**	2.96

As at 31 December 2017, the Group's debt ratio and gearing ratio increased slightly as compared with 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, construction expenditure on hospital investment and management projects, and expenditure relating to office facilities. In 2017, the Group had capital expenditure of RMB18.9 million, primarily due to the construction of hospital investment and management projects, the development of digitalization projects, the procurement of equipment and office refurbishment.

Use of Proceeds from the Initial Public Offering

The Group's shares were listed on the Main Board of the Stock Exchange on 8 July 2015. On 30 July 2015, after deducting underwriting commissions and all related expenses, the net proceeds from the initial public offering amounted to approximately RMB2,775.5 million. As at the date of this report, the Group did not expect to make any material change in the proposed use of proceeds set out in the Prospectus.

The Board closely monitored the use of proceeds from the initial public offering with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no material change in the proposed use of proceeds as previously disclosed in the Prospectus. As of 31 December 2017, the Group used the net proceeds for the following purposes:

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

- RMB26.1 million was used for research, development and operation of hospital digitalization services. We made further recruitments to increase the size of our technology solutions team and developed a proprietary information management system for hospitals as well as related marketing activities;

- RMB138.5 million was used for the development of our hospital investment and management business. We concentrated on market development and expansion of external medical resources, recruited a hospital management experts team and provided professional training to internal personnel;

- RMB111.8 million was used for further development of CVA project solutions and department upgrade services in other new areas. We increased the number of our internal experts with relevant medical background and provided hospital customers with financial support for clinical department upgrade; and

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

7. RISK MANAGEMENT

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

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

7.1 Interest Rate Risk

Interest rate risk is the risk arising from the fluctuation of financing instrument or future cash flows as a result of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates primarily relates 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 on the Group's profit before tax affected by a reasonably possible change in interest rate, with all other variables unchanged. The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

	Increase/decrease in profit before tax	
	31 December 2017 RMB'000	31 December 2016 RMB'000
Change in base points		
+100 base points	**45,722**	105,799
-100 base points	**(45,722)**	(105,799)

7.2 Currency Risk

Currency risk is the risk arising from the fluctuation of fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD and to a lesser extent, other currencies pegged to the USD. The Group's currency risk mainly arises from the transactions denominated in foreign currencies. 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 HKD exchange rate has been linked to the USD and therefore the exchange rate of RMB to HKD has fluctuated and will fluctuate in line with the changes in the exchange rate of RMB to USD.

The table below sets forth a sensitivity analysis on the Group's profit before tax affected by a reasonably possible change in exchange rate:

	Change in foreign exchange rate %	Increase/(decrease) in profit before tax	
		31 December 2017 RMB'000	31 December 2016 RMB'000
If RMB strengthens against USD/HKD	(1)	**29,997**	(493)
If RMB weakens against USD/HKD	1	**(29,997)**	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 recognized and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with whom the Group has credit transactions. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure to bad debts. Other financial assets of the Group include cash and bank deposits, accounts receivable and other receivables. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk equals to the carrying amounts of these assets.

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

Classification criteria

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

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

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

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

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

Asset management measures

Under the overall risk management framework, the Group fully participated in the asset management works, with multi-sectorial coordination and collaboration, to maintain the safety of assets and improve the asset quality. The Group took risk management measures to monitor the quality of its asset portfolio, the assets underlying its leases and the efficiency of its credit assessment workflow. These measures are integrated into on-going 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 the rent collection and the 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, the customers would be urged to pay the rent on time more consciously and they would be more willing to communicate with the Group.

Material events handling and reporting procedures

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

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

Credit Risk Analysis

Analysis on industry concentration of finance lease receivables

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

	31 December 2017		31 December 2016	
	RMB'000	**% of total**	RMB'000	% of total
Healthcare	**24,545,511**	**70.1%**	19,449,931	71.6%
Education	**7,660,015**	**21.9%**	6,455,597	23.8%
Others	**2,815,766**	**8.0%**	1,254,613	4.6%
Total	**35,021,292**	**100.0%**	27,160,141	100.0%

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Net lease receivables	**34,737,651**	26,936,292
Accounts receivable	**67,194**	2,205
Notes receivable	**–**	2,777
Deposits and other receivables	**114,535**	14,079
Available-for-sale investment	**43,961**	64,916
Derivative financial assets	**5,273**	7,828

As at 31 December 2017, the financial assets which are past due but are not considered impaired amounted to RMB10.7 million (2016: RMB3.8 million). The days overdue are analyzed as below:

	Within 90 days RMB'000	90 days to 1 year RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2017					
Net lease receivables	**1,938**	**–**	**8,748**	**–**	**10,686**
31 December 2016					
Net lease receivables	3,784	–	–	–	3,784

Among the Group's customers with finance lease receivables that were past due but not impaired, those who overdue within 90 days have good track records with the Group, and those who overdue for over 3 years have sufficient guarantee of rental repayment and will not cause substantial loss to the Company. Based on past experience, the Directors are of the view that these balances are not considered impaired as there has not been a significant impact on credit rating and the balances are still considered fully recoverable. The past due but not impaired assets amounted to RMB1.0 million as at 31 December 2017, and the finance lease receivables were all recovered in January 2018.

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Net lease receivables	**272,955**	220,065

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

7.4 Liquidity Risk

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

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

The table below summarizes 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
31 December 2017						
Total financial assets	**1,835,303**	**3,519,979**	**8,913,093**	**28,740,655**	**650,753**	**43,659,783**
Total financial liabilities	**(97,415)**	**(2,320,075)**	**(10,593,474)**	**(28,836,787)**	**(18,052)**	**(41,865,803)**
Net liquidity gap[(1)]	**1,737,888**	**1,199,904**	**(1,680,381)**	**(96,132)**	**632,701**	**1,793,980**
31 December 2016						
Total financial assets	1,365,374	2,225,732	7,303,785	22,868,798	298,433	34,062,122
Total financial liabilities	(85,145)	(2,819,325)	(4,690,567)	(16,305,141)	(1,000)	(23,901,178)
Net liquidity gap[(1)]	1,280,229	(593,593)	2,613,218	6,563,657	297,433	10,160,944

(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 will reasonably arrange the term of financial liabilities to control the liquidity risk.

8. PLEDGE OF GROUP ASSETS

As at 31 December 2017, the Group had lease receivables of RMB4,080.0 million and cash of RMB346.7 million pledged or paid to banks to secure the bank borrowings.

9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 13 January 2017, the Company, through a wholly-owned subsidiary Xi'an Ronghui, jointly established Xi'an Wanheng with a wholly-owned subsidiary of First affiliated Hospital, Xi'an Qinrun, pursuant to a cooperation agreement. Xi'an Wanheng is positioned as a medical service platform integrating 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 exercise its business cooperation right and is fully responsible for the provision of logistics and other related services to International Land Port Hospital and the provision of 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 RMB17.2 million 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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Legal proceedings	**–**	–
Claimed amounts	**–**	–

10.2 Capital Commitments and Credit Commitments

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Capital expenditure under signed contracts but not appropriated	**2,377**	6,106
Credit commitments (1)	**1,528,274**	1,316,461

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

11. HUMAN RESOURCES

As of 31 December 2017, we had a total of 649 full-time employees, representing an increase of 113 or 21.08%, compared to 536 as of 31 December 2016.

We have a highly-educated and high-quality work force, with about 87.4% of our employees holding bachelor degrees and above, about 47.8% holding master's degrees and above and about 2.3% holding doctor's degrees as of 31 December 2017.

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 Group. We have established a remuneration and award system based on their overall performance and accomplishment of work targets. We promote employees based on their positions, service term and overall performance by categorizing them into professional or managerial group, which provides our employees with a clear career path. We perform a comprehensive performance evaluation over our employees at different positions and levels on an annual basis according to business objective obligations and achievement of key objectives.

In accordance with applicable PRC laws and regulations, we have made contributions to social security insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance plans) and housing funds for our employees. We also provide other insurance plans for our employees such as supplementary pension, additional medical insurance and personal accident insurance in addition to those required under the PRC regulations. As of 31 December 2017, we had complied with all statutory social insurance and housing fund obligations applicable to us under PRC laws in all material aspects.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2017 save for the deviation from code provision A.4.2 which is explained in the relevant paragraphs of this Corporate Governance Report.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

Specific enquiry has been made to all the Directors (including Mr. Zeng Yu who resigned during the year and Mr. Jiang Xin who resigned on 1 March 2018) who have confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the year.

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

BOARD OF DIRECTORS

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

The Board of the Company comprises the following directors during the year ended 31 December 2017 and up to the date of this report:

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

Non-executive Directors:
Mr. Zhang Yichen *(Chairman)*
Mr. Luo Xiaofang *(Vice-chairman)*[(1)]
Mr. Jiang Xin *(Vice-chairman)*[(2)]
Mr. Liu Zhiyong
Mr. Liu Xiaoping
Mr. Su Guang
Mr. Zeng Yu[(3)]

Independent Non-executive Directors:
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Kong Wei
Mr. Han Demin

Notes:

(1) Appointed with effect from 1 March 2018
(2) Resigned with effect from 1 March 2018
(3) Resigned with effect from 4 May 2017

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

The biographical information of the Directors are set out in the section headed "Biography of Directors and Senior Management" on pages 63 to 71 of this annual report.

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

Chairman and Chief Executive Officer

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

Non-executive Directors

On 4 May 2017, Mr. Zeng Yu resigned as a non-executive Director and a member of the Remuneration Committee with effect from the same day. 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 with effect from 4 August 2017 (Mr. Jiang Xin resigned with effect from 1 March 2018 and Mr. Luo Xiaofang was appointed as a member of the Remuneration Committee with effect from the same day). Accordingly, the Remuneration Committee currently comprises three members (namely, Mr. Chow Siu Lui, Mr. Luo Xiaofang and Mr. Han Demin) in compliance with the terms of reference of the Remuneration Committee.

Independent Non-executive Directors

During the year of 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

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

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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

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

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

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

Continuous Professional Development of Directors

The Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and make comprehensive and informed contribution to the Board.

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year, all Directors, namely Mr. Guo Weiping, Ms. Peng Jiahong, Mr. Zhang Yichen, Mr. Jiang Xin (resigned with effect from 1 March 2018), Mr. Liu Zhiyong, Mr. Liu Xiaoping, Mr. Su Guang, Mr. Zeng Yu (resigned with effect from 4 May 2017), Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Kong Wei and Mr. Han Demin have participated in continuous professional training including viewing the webcast entitled "Duties of directors and the role and functions of board committees" launched by the Stock Exchange.

BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Li Yinquan, Mr. Liu Xiaoping and Mr. Chow Siu Lui. Mr. Li Yinquan is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are no less exacting than those set out in the CG Code. The main duties of the Audit Committee include monitoring the integrity of the Company's financial statements, annual report and interim report, and reviewing significant financial reporting judgements contained therein; reviewing the Company's financial controls, risk management and internal control systems; making recommendations to the Board on the appointment, reappointment and removal of external auditor, and approving the remuneration and terms of engagement of external auditor, as well as reviewing arrangements which can be used by the employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

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

During the year, the Audit Committee held two meetings to review the annual financial results and reports in respect of the year ended 31 December 2016 and the interim financial results and reports in respect of the six months ended 30 June 2017, respectively. The Audit Committee also passed written resolutions during the year, without the participation of management, to resolve matters relating to the audit fees and terms of engagement of the external auditor.

Together with all the other Directors, the Audit Committee also reviewed the Company's corporate governance policies and practices, Directors' time commitments and contribution, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, as well as the effectiveness of the shareholders' communication policy.

The Audit Committee met with the external auditor twice during the year for reviewing the Company's annual and interim financial results.

Remuneration Committee

The Remuneration Committee now consists of one non-executive Director and two independent non-executive Directors, namely Mr. Chow Siu Lui, Mr. Luo Xiaofang (appointed with effect from 1 March 2018) and Mr. Han Demin. Mr. Chow Siu Lui is the chairman of the Remuneration Committee. Mr. Jiang Xin resigned with effect from 1 March 2018.

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

During the year, the Remuneration Committee met once to review the Company's policy and structure for the remuneration of all Directors and senior management, the remuneration packages of the executive Directors and senior management of the Company and the remuneration of non-executive Directors. Subsequent to the resignation of Mr. Zeng Yu as a non-executive Director and a member of the Remuneration Committee with effect from 4 May 2017, the Remuneration Committee also passed written resolutions to appoint Mr. Jiang Xin as a member of the Remuneration Committee on with effect from 4 August 2017.

Nomination Committee

The Nomination Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Zhang Yichen, Mr. Chow Siu Lui and Mr. Kong Wei. Mr. Zhang Yichen is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are no less exacting than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board; identifying individual suitably qualified to become members of the Board and select or making recommendations to the Board on the selection of individuals nominated for directorship; making recommendations to the Board on the appointment, re-appointment and succession planning of Directors; and assessing the independence of independent non-executive Directors, as well as reviewing the board diversity policy.

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

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

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

Risk Control Committee

The Risk Control Committee consists of one executive Director and two non-executive Directors, namely Mr. Su Guang, Ms. Peng Jiahong and Mr. Liu Zhiyong. Mr. Su Guang is the chairman of the Risk Control Committee.

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

During the year, the Risk Control Committee met once to review the effectiveness of the risk management and internal control systems and the internal audit function. It has reviewed the risk management system and framework, the risk management and internal control strategy as well as the 2017 risk management work plan. These include management strategy, systems precautions, process optimization and implementation of risk management measurements. The Risk Control Committee believed that the Group's risk management and internal control systems are well-established as the Company had established appropriate risk identification, control and prevention systems in relation to different risk categories which ensure effective risk management and internal control systems of the Group. The Company should continue to strengthen its risk management and internal control systems. The Risk Control Committee also identified some possible risks faced by the Company and suggested precautionary measures to manage the risks.

Strategy Committee

The Strategy Committee at present consists of one executive Director and two non-executive Directors, namely Mr. Luo Xiaofang (appointed with effect from 1 March 2018), Mr. Zhang Yichen and Mr. Guo Weiping. Mr. Luo Xiaofang is the chairman of the Strategy Committee. Since Mr. Jiang Xin resigned with effect from 1 March 2018, Mr. Luo Xiaofang was appointed as the chainman of the Strategy Committee.

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

During the year, the Strategy Committee met once to discuss the strategic and business development, market competition and work plan of the Company. The Strategy Committee believed that the Company's active development in hospital investment and management business is the correct direction which has built positive brand image, increased medical resources and sped up business expansion. The Strategy Committee also advised the Company that it should grasp opportunities and be practical during strategies implementation.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Attendance/Number of Meetings during the tenure of directorship							
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Control Committee	Strategy Committee	2017 AGM	EGM (28 December 2017)
Guo Weiping	5/5	N/A	N/A	N/A	N/A	1/1	1/1	1/1
Peng Jiahong	5/5	N/A	N/A	N/A	1/1	N/A	1/1	1/1
Zhang Yichen	3/5	N/A	N/A	1/1	N/A	1/1	1/1	0/1
Jiang Xin	5/5	N/A	0/0[(2)]	N/A	N/A	1/1	1/1	0/1
Liu Xiaoping	5/5	2/2	N/A	N/A	N/A	N/A	1/1	0/1
Liu Zhiyong	5/5	N/A	N/A	N/A	1/1	N/A	1/1	1/1
Su Guang	5/5	N/A	N/A	N/A	1/1	N/A	1/1	0/1
Zeng Yu[#1]	2/2[(1)]	N/A	1/1[(1)]	N/A	N/A	N/A	0/0	0/0
Li Yinquan	5/5	2/2	N/A	N/A	N/A	N/A	1/1	1/1
Chow Siu Lui	4/5	2/2	1/1	1/1	N/A	N/A	1/1	0/1
Kong Wei	4/5	N/A	N/A	1/1	N/A	N/A	1/1	1/1
Han Demin	5/5	N/A	1/1	N/A	N/A	N/A	1/1	1/1

#1 Resigned with effect from 4 May 2017

(1) Up to 4 May 2017

(2) Since 4 August 2017

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditors' report on pages 129 to 133 of this annual report.

DEED OF NON-COMPETITION OF THE CONTROLLING SHAREHOLDER

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

AUDITORS' REMUNERATION

During the year ended 31 December 2017, the remuneration paid or payable to the Company's external auditor, Ernst & Young, is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit Services	2,740.0
Non-audit Services	100.0
Total	2,840.0

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Sound and improved risk management and internal control systems

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

Internal control department carrying out internal audit function

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

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

Features of risk management and internal control systems

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

Effectiveness of the risk management and internal control systems

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

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

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

In 2017, in accordance with the "Basic Rules for Corporate Internal Control" (《企業內部控制基本規範》) jointly promulgated by Ministry of Finance of the PRC, China Securities Regulatory Commission, National Audit Office of the PRC, CBRC and China Insurance Regulatory Commission on 28 June 2008, the internal control department requested for evaluation on internal control and reviewed the rectification work for internal control issues during internal control assessment in 2016. With emphasis on key areas of concerns and processes, the Board has a better picture of the current conditions of internal control by analyzing various internal control points relating to the business processes and unearthing defects and weaknesses of the internal control system for improvements in a timely manner. It ensures operations and management in compliance with laws and regulations as well as truthfulness and completeness of financial reports and relevant information, enhancing the efficiency and effectiveness of operation and safeguarding strategic development of the Group.

With a comprehensive internal control system, the Group has greatly enhanced its capability of risk management and control. To strengthen the control and management of substantial risks, the Group has developed an early warning mechanism of substantial risks, identifying credit risk, interest rate risk, foreign exchange rate risk and liquidity risk as substantial risks and designating the internal control department as the leading and responsible department for each type of risks. For each type of substantial risks, the Group has developed monitoring indicators. Related departments are responsible for identification and analysis on relevant risks to determine corresponding risk strategies based on risk tolerance. The internal control department gathers management condition of each type of risk regularly, and the risks faced by each business unit and its risk management and control system capabilities are reflected to the management in a timely manner, so as to minimize loss and enhance the Group's defensing capability against risks. In 2017, probability of each type of substantial risks remained stable at a relatively low level as compared with last year, reflecting the effectiveness of the Group's risk management measures.

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

Inside information

The Company has developed an effective monitoring system for inside information and reporting processes to ensure prompt identification and evaluation of material information and submission of the same to the Board for determining whether to disclose such information. The Company has strictly complied with the Inside Information Provisions (as defined under the Listing Rules) under the SFO and the Listing Rules. Through the implementation of "Manual on Disclosure of Inside Information and Information Necessary to Avoid a False Market" adopted in June 2015, all personnel involved have been aware of such requirement which ensure all market participants could obtain same information on an equal and simultaneous basis.

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

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

Right to Call a General Meeting

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

Putting Forward Proposals at General Meeting

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

Putting Forward Enquiries to the Board

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

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

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

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

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

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

Mr. Zhang Yichen (張懿宸先生), aged 54, is the chairman of the Board and a non-executive Director of the Company as well as the chairman of the Nomination Committee and a member of the Strategy Committee. He is primarily responsible for leading and chairing the Board and providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Zhang was appointed as Director on 19 June 2012 and was re-designated as non-executive Director on 6 March 2015. Mr. Zhang is also the chairman of the board of CULC.

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

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

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

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

Mr. Luo Xiaofang – Non-Executive Director and Vice-Chairman of the Board

Mr. Luo Xiaofang (羅曉舫), aged 53, is the vice-chairman of the Board, non-executive Director, chairman of the Strategy Committee and member of the Remuneration Committee. He is primarily responsible for providing advice and participating in meetings of the board in connection with matters requiring Director's consideration and/or approval. Mr. Luo was appointed as non-executive Director on 1 March 2018. Mr. Luo is also the vice-chairman of the board of CULC.

Mr. Luo is the board secretary, assistant to the general manager and general manager of the department of strategy and development of China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司) ("GT-PRC"), a controlling shareholder of the Company. He also serves as the chairman and the legal representative of Beijing General Technology Times Real Estate Development Co., Ltd. (北京通用時代房地產開發有限公司), a wholly-owned subsidiary of GT-PRC. From September 1989 to July 2012, he took a variety of positions in China Xinxing Group Co., Ltd. (中國新興集團有限責任公司), currently a wholly-owned subsidiary of GT-PRC, including chief of planning development department, deputy general manager and executive deputy manager. Mr. Luo obtained the certificate of senior economist from the personnel department of China Xinxing Group Co., Ltd. (中國新興集團有限責任公司) in January 1997. Mr. Luo graduated from Hubei Institute of Finance and Economics (currently known as Zhongnan University of Economics and Law) with a bachelor's degree in industrial economics in July 1984.

EXECUTIVE DIRECTORS

Mr. Guo Weiping – Executive Director and Chief Executive Officer

Mr. Guo Weiping (郭衛平先生), aged 62, is the chief executive officer and an executive Director of the Company and a member of the Strategy Committee. He is primarily responsible for managing the overall operations of the Group, planning business and development strategies of the Group and managing healthcare business of the Group. Mr. Guo was appointed as Director on 19 June 2012 and was redesignated as an executive Director on 6 March 2015. Mr. Guo is also a director of our subsidiaries.

Mr. Guo has over 33 years of experience in financial services, including 18 years of experience in medical financing services.

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

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

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

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

Ms. Peng Jiahong (彭佳虹女士), aged 47, is the chief financial officer, the deputy general manager and an executive Director of the Company and a member of the Risk Control Committee. She is primarily responsible for financial planning and management, risk management, finance management, human resources and related administrative matters of the Group. Ms. Peng was appointed as Director on 22 December 2014 and was re-designated as an executive Director on 6 March 2015. Ms. Peng is also a director of certain subsidiaries of the Company. Ms. Peng has over 23 years working experience in financial services and financial management, including 12 years in medical financing services.

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

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

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

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

OTHER NON-EXECUTIVE DIRECTORS

Mr. Liu Zhiyong – Non-executive Director

Mr. Liu Zhiyong (劉志勇先生), aged 47, a non-executive Director and a member of the Risk Control Committee. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Liu became a director of CULC in December 2005. He was appointed as Director since 19 April 2012 and was re-designated as non-executive Director on 6 March 2015. Mr. Liu is also a director of CULC.

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

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

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

Mr. Liu Xiaoping – Non-executive Director

Mr. Liu Xiaoping (劉小平先生), aged 62, is a non-executive Director and a member of the Audit Committee. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Liu was appointed as Director on 19 June 2012 and was re-designated as non-executive Director on 6 March 2015. Mr. Liu is also a director of CULC.

Mr. Liu was a senior managing director of private equity department of CITIC Capital Holdings Limited from December 2005 to February 2017 and he was mainly responsible for leading private equity projects in China. He has been a senior consultant of CITIC Capital Holdings Limited since February 2017.

Prior to joining CITIC Capital Holdings Limited, from August 1998 to August 2002, Mr. Liu was the vice president of direct investment department of China International Capital Corporation (Hong Kong) Limited, whose principal business activities include direct investment. From March 2004 to September 2005, he served as an executive director of Alibaba Health Information Technology Limited (formerly known as CITIC 21CN Company Limited, whose shares are listed on the main board of the Stock Exchange (stock code: 241)). Mr. Liu also served as a non-executive director of Xiezhong International Holdings Limited, whose shares are listed on the Stock Exchange (stock code: 3663) from September 2011 to July 2014. Mr. Liu has been a director of China National Investment and Guaranty Corporation, whose shares are listed on the National Equities Exchange And Quotations (stock code: 834777) since August 2015.

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

Mr. Su Guang – Non-executive Director

Mr. Su Guang (蘇光先生), aged 38, is a non-executive Director and the chairman of the Risk Control Committee. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Su was appointed as Director on 22 December 2014 and was re-designated as non-executive Director on 6 March 2015. Mr. Su is also a director of CULC.

Mr. Su has served as executive vice president of COSCO SHIPPING Financial Holdings Co., Limited since February 2017. Mr. Su was 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)) from March 2016 to November 2016, and is also a vice chief representative of Ping An Bank's representative office in Hong Kong. Before that, Mr. Su was the managing director and head of cross border structured finance of ICBC International Holdings Limited, which is wholly-owned by Industrial and Commercial Bank of China Limited, a company listed on the main board of the Stock Exchange (stock code: 1398) and on the Shanghai Stock Exchange (stock code: 601398), and was mainly in charge of cross-border structured investments and financing business.

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Li Yinquan – Independent Non-executive Director

Mr. Li Yinquan (李引泉先生), aged 62, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Audit Committee.

Mr. Li joined China Merchants Group in March 2000. He served as an executive director of China Merchants Port Holdings Company Limited (formerly known as China Merchants Holdings (International) Company Limited) (whose shares are listed on the main board of the Stock Exchange (stock code: 144)) from June 2001 to March 2015 and a non-executive director of China Merchants Bank Co., Ltd. (whose shares are listed on the main board of the Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036)) from April 2001 to June 2016. He was 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)) from July 2008 to April 2017. He is now a director of China Merchants Group and director of China Merchants Capital Management Co. Ltd. Prior to joining China Merchants Group, Mr. Li worked in the Agricultural Bank of China, and was the vice general manager of the Hong Kong branch before he left that bank.

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

Mr. Chow Siu Lui – Independent Non-executive Director

Mr. Chow Siu Lui (鄒小磊先生), aged 57, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the Audit Committee.

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

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

Mr. Chow is now an independent non-executive director of Fullshare Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 607)), Sinco Pharmaceuticals Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 6833)), Futong Technology Development Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 465)) and Shanghai Dazhong Public Utilities (Group) Co., Ltd. (whose shares are listed on the main board of the Stock Exchange (stock code: 1635)), and China Everbright Greentech Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 1257)). respectively. He acted as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (whose shares are listed on the growth enterprise market of the Stock Exchange (stock code: 8181)) from February 2015 to October 2015.

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

Mr. Kong Wei – Independent Non-executive Director

Mr. Kong Wei (孔偉先生), aged 45, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also a member of the Nomination Committee.

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

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

Mr. Han Demin – Independent Non-executive Director

Mr. Han Demin (韓德民先生), aged 66, was appointed as an independent non-executive Director and a member of the Remuneration Committee on 13 April 2016.

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

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

* for identification purpose only

SENIOR MANAGEMENT

Mr. Yang Jingyao – Deputy General Manager

Mr. Yang Jingyao (楊景耀), aged 51, joined our Group in January 2015. He is mainly responsible for managing our medical equipment sourcing, sales and technical services business.

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

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

Mr. Wang Wenbing – Deputy General Manager

Mr. Wang Wenbing (王文兵), aged 44, joined our Group in December 2016 and is the deputy general manager of the Group. He is mainly responsible for managing the internal risk control of the Group.

Mr. Wang was awarded a Bachelor degree in Accounting in July 1996 from the Central University of Finance and Economics. He obtained a postgraduate degree in accounting from the Postgraduate Section of the Research Institute for Fiscal Science of the Ministry of Finance in September 2008. He also obtained a postgraduate degree in finance in December 2016 from School of Finance, Central University of Finance and Economics (中央財經大學金融學院). In 2017, he was qualified as a senior accountant (高級會計師) by the Appraisal and Appraisal Committee for Professional & Technical Qualification of GT-PRC.

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

Mr. Chen Jianying – Deputy General Manager

Mr. Chen Jianying (陳劍影), aged 41, joined our Group in October 2014. He is mainly responsible for managing the leasing business of our Group.

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

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

COMPANY SECRETARY

Ms. Cheng Pik Yuk – Company Secretary

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

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

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

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report of the year 2017 together with the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL BUSINESS ACTIVITIES

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

BUSINESS REVIEW

Part of the business review as required under Schedule 5 of the Companies Ordinance is included in the section headed "Management Discussion and Analysis" in this annual report on page 16 to 47 and the section headed "Environmental, Social and Governance Report" in this annual report on page 93 to 128, and such contents form part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 134 of this annual report.

The Board recommends the payment of a final dividend of HK$0.24 per share in respect of the year ended 31 December 2017 to shareholders whose names appear on the register of members of the Company on 13 June 2018. The proposed final dividend will be paid on 25 June 2018, subject to approval at the AGM.

CLOSURE OF REGISTER OF MEMBERS

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

(i) from Thursday, 31 May 2018 to Tuesday, 5 June 2018, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 30 May 2018; and

(ii) from Monday, 11 June 2018 to Wednesday, 13 June 2018, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 8 June 2018.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2017.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 138 of this annual report and Note 25 to the financial statements, respectively.

As at 31 December 2017, the reserves of the Company available for distribution to shareholders amounted to approximately RMB2,759.0 million.

DIRECTORS

During the financial year ended 31 December 2017 and up to the date of this report, our Directors were as follows:

Executive Directors
Mr. Guo Weiping
Ms. Peng Jiahong

Non-executive Directors
Mr. Zhang Yichen
Mr. Jiang Xin (Resigned with effect from 1 March 2018)
Mr. Luo Xiaofang (Appointed with effect from 1 March 2018)
Mr. Liu Zhiyong
Mr. Liu Xiaoping
Mr. Su Guang

Independent Non-executive Directors
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Kong Wei
Mr. Han Demin

During the year, Mr. Zeng Yu, former Director of the Company, resigned on 4 May 2017.

DIRECTORS OF SUBSIDIARIES

	Name of subsidiaries	Directors in 2017	Directors from 1 January 2018 and up to the date of this report
1	CULC	Zhang Yichen Jiang Xin (resigned with effect from 1 March 2018) Guo Weiping Peng Jiahong Liu Zhiyong Liu Xiaoping Su Guang Zeng Yu (resigned with effect from 4 May 2017)	Zhang Yichen Jiang Xin (resigned with effect from 1 March 2018) Luo Xiaofang (appointed with effect from 1 March 2018) Guo Weiping Peng Jiahong Liu Zhiyong Liu Xiaoping Su Guang
2	Universal International Financial Leasing (Tianjin) Co., Ltd. (環球國際融資租賃(天津)有限公司)	Liu Xiaoping (resigned with effect from 1 December 2017) Guo Weiping Peng Jiahong Zeng Yu (resigned with effect from 4 May 2017) Yang Jingyao (appointed with effect from 1 December 2017)	Guo Weiping Peng Jiahong Yang Jingyao
3	Universal Medical HarmoCare Technology Service (Tianjin) Co., Ltd. (環醫益和醫療技術服務(天津)有限公司)	Guo Weiping	Guo Weiping
4	Wiseman Hospital Investment Management (Tianjin) Co., Ltd.) (融慧濟民醫院投資管理(天津)有限公司)	Guo Weiping	Guo Weiping
5	Sinosound Healthcare Technology (Tianjin) Co., Ltd. (惠民華康醫療信息技術(天津)有限公司)	Guo Weiping Peng Jiahong Qiao Guibin	Guo Weiping Peng Jiahong Qiao Guibin
6	Xi'an Ronghui	Guo Weiping	Guo Weiping
7	Xi'an Wanheng	Guo Weiping Peng Jiahong Wang Shuo Shi Bingyin Geng Jianping	Guo Weiping Peng Jiahong Wang Shuo Shi Bingyin Geng Jianping (resigned with effect from 6 March 2018) Ma Xinge (appointed with effect from 6 March 2018)
8	Shaanxi Huahong	Guo Weiping Peng Jiahong Wang Shuo Shi Bingyin Geng Jianping	Guo Weiping Peng Jiahong Wang Shuo Shi Bingyin Geng Jianping
9	Uni-One	Guo Weiping	Guo Weiping

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 63 to 71 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2017, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

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

Executive Directors

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

The aggregate amount of the basic annual salaries of the two executive directors is RMB3.3 million. In addition, each of the executive Directors is also entitled to a discretionary management bonus taking into consideration the financial performance of the Group and the relevant executive Director's individual contribution to the Group for the financial year concerned. An executive Director may not vote on any resolution of Directors regarding the amount of the management bonus payable to him/her.

Non-executive Directors and Independent Non-executive Directors

Each of the non-executive Directors, other than Mr. Jiang Xin and Mr. Zeng Yu, has entered into a letter of appointment with the Company on 1 March 2018 to renew his service in the Company for a term of three years commencing from 6 March 2018. Mr. Jiang Xin resigned with effect from 1 March 2018. Mr. Luo Xiaofang has entered into a letter of appointment with the Company pursuant to which he has been appointed for an initial term of three years commencing from 1 March 2018. Mr. Zeng Yu has entered into a letter of appointment with the Company pursuant to which he has been appointed for an initial term of three years commencing from 13 April 2016. Mr. Zeng Yu resigned on 4 May 2017.

Each of the independent non-executive Directors, other than Mr. Han Demin, has entered into a letter of appointment with the Company on 1 March 2018 to renew his service in the Company for a term of three years commencing from 9 June 2018. Mr. Han Demin has entered into a letter of appointment with the Company pursuant to which he has been appointed for an initial term of three years commencing from 13 April 2016.

The non-executive Directors are not entitled to any director's fee (except Mr. Liu Xiaoping and Mr. Su Guang. Each of them is entitled to a director's fee of HK$200,000 and an allowance of HK$10,000 per annum). Each of the independent non-executive Directors is entitled to a director's fee of HK$200,000 and an allowance of HK$10,000 per annum.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers that each of the independent non-executive Directors, namely Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Kong Wei and Mr. Han Demin, is independent.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Directors and the senior management of the Group for the year ended 31 December 2017 are set out in Note 7 to the consolidated financial statements of the Company. The remuneration of each of the two senior management personnel fell within the band from HK$4,000,001 to HK$5,000,000.

PERMITTED INDEMNITY PROVISION

In accordance with the definition of section 469 of the Companies Ordinance, the permitted indemnity provision in relation to the director's and officer's liability insurance was in force during the financial year ended 31 December 2017 and remained in force until the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

The Company has entered into certain continuing connected transaction framework agreements with GT-PRC, as set out in the section headed "Continuing Connected Transactions" on page 83 of this annual report. Each of Mr. Jiang Xin (resigned with effect from 1 March 2018), Mr. Luo Xiaofang (appointed with effect from 1 March 2018) and Mr. Liu Zhiyong (all non-executive Directors) holds positions in GT-PRC or its close associates, but they do not hold any management position within the Company and are not involved in the daily management of the Company.

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

COMPETING BUSINESS

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

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

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at 31 December 2017, other than the circumstances as disclosed in the Prospectus, and the announcements of the Company dated 13 August 2015, 22 April 2016, 6 January 2017 and 11 December 2017, respectively, there were no other circumstances that give rise to a disclosure required under Rule 13.18 of the Listing Rules.

PENSION SCHEME

Details of the pension scheme of the Company are set out in the paragraph headed "Pension Obligations" in Note 2.4 to the financial statements.

SHARE OPTION SCHEMES

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

MANAGEMENT CONTRACTS

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

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

As at 31 December 2017, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares as recorded in the register of the Company required to be kept under Section 336 of the SFO:

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

Name of shareholder	Nature of interest	Number of Shares Interested	Approximate percentage of interest held in the Company
GT-PRC *(Note 1)*	Interest of controlled corporation	647,478,700	37.73%
GT-HK *(Note 1)*	Beneficial owner	584,000,395	34.03%
CITIC Capital Holdings Limited *(Note 2) (Note 3)*	Interest of controlled corporation	171,556,695	9.99%
CITIC Capital Leasing Ltd. *(Note 2)*	Beneficial owner	116,323,695	6.78%
CITIC Capital China Partners II, L.P. *(Note 2)*	Interest of controlled corporation	116,323,695	6.78%
CCP II GP Ltd. *(Note 2)*	Interest of controlled corporation	116,323,695	6.78%
CCP LTD. *(Note 2)*	Interest of controlled corporation	116,323,695	6.78%
CITIC Capital Partners Limited *(Note 2)*	Interest of controlled corporation	116,323,695	6.78%
CP Management Holdings Limited *(Note 2)*	Interest of controlled corporation	116,323,695	6.78%

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

(3) Among the 171,556,695 Shares, 55,233,000 Shares are registered under the name of Infinite Benefits Limited, which is a wholly-owned subsidiary of CITIC Capital Equity Investment (Tianjin) Corporation Limited, which in turn is held as to 68.17% by CITIC Capital Holdings.

DIRECTORS' AND 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 31 December 2017, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Long positions in Shares of the Company:

Name	Nature of interest	Position	Number of Shares Interested	Approximate percentage of interest held in the Company
Zhang Yichen *(Note 1)*	Interest of controlled corporation	Chairman and non-executive Director	116,323,695	6.78%
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 page 80 of this report for details of Mr. Zhang Yichen's interest in the Shares of the Company.

(2) Mr. Guo Weiping is the sole legal and beneficial owner of International Technological Cooperation Co., Ltd ("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 Jiahong is the sole legal and beneficial owner of Evergreen021 Co., Ltd. ("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 31 December 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 under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

The information of the customers and suppliers is as follows:

	Percentage of the total income (before business taxes and surcharges) for the year ended 31 December 2017
Five largest customers	7.3%
The largest customer	1.7%

	Percentage of the total cost of sales for the year ended 31 December 2017
Five largest suppliers	44.1%
The largest supplier	15.9%

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

EMPLOYEES

As at 31 December 2017, the Group has a total of 649 employees, including 580 full-time employees, 54 dispatched employees and 15 project workers. Most of employees of the Group are located in Beijing.

For the year ended 31 December 2017, the Group did not experience any strikes or significant labor disputes which materially affected the operation of the Group. The Group maintained good relationship with its employees.

CONTINUING CONNECTED TRANSACTIONS

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

The Group has complied with the pricing policy of the Group in respect of the continuing connected transactions for the year ended 31 December 2017.

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

Advisory Service Purchase Framework Agreement

To renew the advisory service purchase framework agreement entered into between the Company and GT-PRC on 10 June 2015, the annual caps of which were revised on 20 November 2015 (the "2015 Advisory Service Purchase Framework Agreement"), the Company entered into an advisory service purchase framework agreement ("Advisory Service Purchase Framework Agreement") with GT-PRC on 1 December 2017, pursuant to which the Company and/or its subsidiaries shall purchase advisory services from GT-PRC and/or its associates. The Advisory Service Purchase Framework Agreement commenced from 1 January 2018 until 31 December 2020 and may be renewed by mutual consent.

The Company entered into the above agreement due to that GT-PRC is a large conglomerate with extensive service networks in both domestic and international markets and it has established companies or representative offices in various countries in Europe and Americas, including Germany, Italy and the United States, which are the key areas or countries where the Company intends to carry out cooperation with internationally renowned medical industry peers. Its associates are specialized in providing various services including consultancy and tender & bidding services. Meanwhile, GT-PRC also has a large customer base and extensive sales networks in the domestic market. By leveraging the resources and experience of GT-PRC and its associates in both domestic and international markets, the Company can better develop its businesses, in particular, the hospital investment and management business.

For the three years ending 31 December 2018, 2019 and 2020, total service fees payable by the Group to GT-PRC and/or its associates are not expected to exceed RMB15.0 million, RMB25.0 million and RMB35.0 million, respectively. The above annual cap is based on the following factors: (i) the increase in the Company's operational need driven by new business initiatives in hospital investment and management, medical technical service and hospital digitalisation service businesses, which typically require expertise from outside advisors. In particular, the Company has progressed steadily in the development of hospital investment and management business. The design of the main building of International Land Port Hospital is expected to be completed by the end of the year with the construction work to be rolled out subsequently. The Company has also entered into framework agreements with a number of hospitals in various regions, where several projects are under negotiation. The Company plans to continue using the abundant network resources of GT-PRC in domestic and overseas markets to implement the planning and construction of the departments International Land Port Hospital and other hospitals that may be invested and managed by the Company and build up their technology, including the selection of designer and contractor with professional services and the strategic cooperation opportunities with professional medical organizations that may be introduced by GT-PRC and its associates. The Company also plans to leverage the project consulting experience of the specialized subsidiaries of GT-PRC to further explore potential opportunities for the Company's hospital management business; and (ii) the estimated increase in the service fees to be charged by GT-PRC due to inflation and expected cost increase. For the year ended 31 December 2017, the actual transaction amount did not exceed the annual caps under the 2015 Advisory Service Purchase Framework Agreement.

Please refer to the announcement of the Company dated 1 December 2017 relating to this transaction.

Property Lease Framework Agreement

To renew the property lease framework agreement entered into between the Company and GT-PRC on 10 June 2015 (the "2015 Property Lease Framework Agreement"), the Company entered into a property lease framework agreement ("Property Lease Framework Agreement") with GT-PRC on 1 December 2017, pursuant to which the Company and/or its subsidiaries shall lease properties from GT-PRC and/or its associates for office and warehousing purposes. The Property Lease Framework Agreement commenced from 1 January 2018 until 31 December 2020 and may be renewed by mutual consent.

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

For the three years ending 31 December 2018, 2019 and 2020, total rental payable by the Group to GT-PRC and/or its associates is not expected to exceed RMB20.0 million, RMB40.0 million and RMB45.0 million, respectively. The above annual cap is based on the following factors: (i) the total property area leased by the Group from GT-PRC and its associates as of the date of the Property Lease Framework Agreement; (ii) the unit rental stipulated in individual property lease agreements between the Group and GT-PRC or its associates, which is normally adjusted by GT-PRC and its associates on an annual basis with reference to the prevailing market conditions; and (iii) the increase in the demand for office premises as a result of the establishment of new subsidiaries and the substantial number of employees to be recruited as a result of the development of the Company's business, in particular, the hospital investment and management business. For the year ended 31 December 2017, the actual transaction amount did not exceed the annual cap under the 2015 Property Lease Framework Agreement.

Please refer to the announcement of the Company dated 1 December 2017 relating to this transaction.

Advisory Service Provision Framework Agreement

To renew the advisory service provision framework agreement entered into between the Company and GT-PRC on 10 June 2015 (the "2015 Advisory Service Provision Framework Agreement"), the Company entered into an advisory service provision framework agreement ("Advisory Service Provision Framework Agreement") with GT-PRC on 1 December 2017, pursuant to which the Company and/or its subsidiaries shall provide advisory services to GT-PRC and/or its associates. The Advisory Service Provision Framework Agreement commenced from 1 January 2018 until 31 December 2020 and may be renewed by mutual consent.

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

For the three years ending 31 December 2018, 2019 and 2020, total advisory service fees payable to the Group from GT-PRC and/or its associates are not expected to exceed RMB5.0 million, RMB7.5 million and RMB10.0 million, respectively. The above annual cap is based on the following factors: (i) although the Group did not charge any advisory service fees from GT-PRC and/or its associates for the two years ended 31 December 2015 and 2016, and the eleven months ended 30 November 2017, the Company expects that in the process of the Company's development as an integrated healthcare services provider, the service demand of GT-PRC and its associates is expected to increase with the implementation of the Company's several hospital investment and management projects, from which the Company can gain more expertise in medical technology; (ii) with the Group's finance lease business growing steadily, the Company expects that GT-PRC and its associates will maintain their demand for the Group's consultation services that are ancillary to the Group's finance lease transactions with GT-PRC and its associates in the future; (iii) the Company continues to expand its service scope pertaining to integrated healthcare solutions, which will broaden the scope of services that the Group is able to provide to GT-PRC and its associates; and (iv) the estimated increase in fee to be charged for these services due to inflation and expected cost increase. For the year ended 31 December 2017, the actual transaction amount under the Advisory Service Provision Framework Agreement did not exceed the annual cap under the 2015 Advisory Service Provision Framework Agreement.

Please refer to the announcement of the Company dated 1 December 2017 relating to this transaction.

Product Procurement Framework Agreement

To renew the product procurement framework agreement entered into between the Company and GT-PRC on 10 June 2015 (the "2015 Product Procurement Framework Agreement"), the Company entered into a product procurement framework agreement ("Product Procurement Framework Agreement") with GT-PRC on 1 December 2017, pursuant to which the Company and/or its subsidiaries shall purchase relevant products and ancillary services from GT-PRC and/or its associates. The Product Procurement Framework Agreement commenced from 1 January 2018 until 31 December 2020 and may be renewed by mutual consent.

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

For the three years ending 31 December 2018, 2019 and 2020, the total amount payable by the Group for product procurement from GT-PRC and/or its associates is not expected to exceed RMB15.0 million, RMB30.0 million and RMB35.0 million, respectively. The above annual cap is based on the following factors: (i) the historical transaction amounts for the procurement of equipment and devices by the Company from GT-PRC and its associates; (ii) the development of the Group's clinical department upgrade services to help hospitals in the PRC establish, modernize and upgrade their clinical department capabilities in medical areas with high and growing demand, and the Group's supply chain business under hospital investment and management projects, all of which will in turn result in the Group's growing demand for the procurement of medical equipment and devices and medical consumables and medicine; and (iii) the expected increase in the production or trade costs of relevant products with reference to the general growth trend in healthcare industry. For the year ended 31 December 2017, the actual transaction amount under the Product Procurement Framework Agreement did not exceed the annual cap under the 2015 Product Procurement Framework Agreement.

Please refer to the announcement of the Company dated 1 December 2017 relating to this transaction.

Product Sales Framework Agreement

To renew the product sales framework agreement entered into between the Company and GT-PRC on 10 June 2015 (the "2015 Product Sales Framework Agreement"), the Company entered into a product sales framework agreement ("Product Sales Framework Agreement") with GT-PRC on 1 December 2017, pursuant to which the Company and/or its subsidiaries shall sell exclusively distributed medical devices and proprietary hospital information and management systems to GT-PRC and/or its associates. The Product Sales Framework Agreement commenced from 1 January 2018 until 31 December 2020 and may be renewed by mutual consent.

The Company entered into the above agreement due to that as of 1 December 2017, the Group is the exclusive sales agent in China for 19 medical equipment product categories covering a total of 194 medical equipment product models. The associates of GT-PRC purchase these exclusively distributed medical devices from the Group in the ordinary course of business from time to time. Since the Group owns the exclusive sales agency right for these medical devices in China, the Company expects that the associates of GT-PRC will continue to purchase these medical devices from the Group. With the development of hospital digitalization services of the Group, the Company expects that the associates of GT-PRC will also need to purchase hospital information management systems from the Group.

For the three years ending 31 December 2018, 2019 and 2020, total amount of purchases receivable by the Group from GT-PRC and/or its associates is not expected to exceed RMB5.0 million, RMB8.0 million and RMB10.0 million, respectively. The above annual cap is based on the following factors: (i) although GT-PRC and/or its associates made no purchase in the recent two years, the Group expects to continue the expansion of its product portfolio and the strengthening of the Group's global medical equipment in-licensing capability, which it believes would potentially motivate the demand from GT-PRC and its associates; and (ii) the estimated increase in product price to be charged by the Group due to inflation and expected cost increase. For the year ended 31 December 2017, the actual transaction amount did not exceed the annual cap under the 2015 Product Sales Framework Agreement.

Please refer to the announcement of the Company dated 1 December 2017 relating to this transaction.

Finance Lease Framework Agreement

To renew the finance lease framework agreement entered into between the Company and GT-PRC on 10 June 2015 (the "2015 Finance Lease Framework Agreement"), the Company entered into a finance lease framework agreement ("Finance Lease Framework Agreement") with GT-PRC on 1 December 2017, pursuant to which the Company and/or its subsidiaries shall provide finance lease services to GT-PRC and/or its associates. The Finance Lease Framework Agreement commenced from 1 January 2018 until 31 December 2020 and may be renewed by mutual consent.

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

For the three years ending 31 December 2018, 2019 and 2020, the total amount of lease principal to be provided by the Group to GT-PRC and/or its associates is not expected to exceed RMB100.0 million, RMB150.0 million and RMB200.0 million, respectively, and the total amount of lease interest to be received is not expected to exceed RMB10.0 million, RMB15.0 million and RMB20.0 million, respectively. The above annual cap is based on the following factors: (i) the historical transaction amount of finance lease services provided by the Group to GT-PRC and its associates; (ii) the expected increasing finance lease demand from GT-PRC and its associates in diversifying business structure; and (iii) the expected changes in the Group's financing cost. For the year ended 31 December 2017, the actual transaction amount did not exceed the annual cap under the 2015 Finance Lease Framework Agreement.

Please refer to the announcement of the Company dated 1 December 2017 relating to this transaction.

Deposit and Intermediary Business Service Framework Agreement

To renew the deposit and intermediary business service framework agreement entered into between the Company and GT-PRC on 29 March 2016 (the "2016 Deposit and Intermediary Business Service Framework Agreement"), the Company entered into a deposit and intermediary business service framework agreement ("Deposit and Intermediary Business Service Framework Agreement") with GT-PRC Finance on 1 December 2017, pursuant to which GT-PRC Finance shall provide deposit and intermediary business services to the Group. The Deposit and Intermediary Business Service Framework Agreement commenced from 1 January 2018 until 31 December 2020 and may be renewed by mutual consent.

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

For the three years ending 31 December 2018, 2019 and 2020, the daily maximum deposit (including accrued interest) of the Group to be placed with GT-PRC Finance is not expected to exceed RMB2,200.0 million, RMB2,400.0 million and RMB2,500.0 million, respectively, and the total service fees for intermediary business services payable by the Group to GT-PRC Finance are not expected to exceed RMB1.0 million, RMB1.2 million and RMB1.5 million, respectively.

The above proposed daily maximum deposit (including accrued interest) is based on: (i) the Group's daily maximum deposits with GT-PRC Finance for the two years ended 31 December 2015 and 2016, and the eleven months ended 30 November 2017; (ii) the expected increase in cash flows from the Group's business development; (iii) the expected increase in cash flows from the Group's financing activities, including debt financing. The Company is seeking to diversify its funding source. In 2017, the Group issued domestic short-term and super short-term financing bonds with a total principal amount of RMB1,900.0 million. The Group may deposit part or all of the proceeds from the Group's diversified financing activities with GT-PRC Finance for temporary cash management; and (iv) the percentage of cash and cash equivalents in total assets of the Group in the recent three years. The above annual caps on fees for intermediary business services are based on the expected increase in demand for intermediary business service as a result of the Group's business expansion. For the year ended 31 December 2017, the actual transaction amount did not exceed the annual cap under the 2016 Deposit and Intermediary Business Service Framework Agreement.

Please refer to the announcement of the Company dated 1 December 2017 relating to this transaction.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2017, certain related parties entered into transactions with the Group which are disclosed in Note 30 "Related Party Transactions" to the consolidated financial statements of the Company. Save as disclosed in the section headed "Continuing Connected Transactions," the Board confirmed that none of these related party transactions constitutes a disclosable connected transaction as defined under the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

(b) on normal commercial terms; and

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

CONFIRMATION OF THE AUDITORS

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

(a) have not been approved by the Board;

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

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

(d) have exceeded the relevant annual caps for the financial year ended 31 December 2017.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Stock Exchange on 8 July 2015 and the over-allotment was completed on 5 August 2015. We received net proceeds (after deduction of underwriting commission and related costs and expenses) from the global offering of approximately RMB2,775.5 million. As at 31 December 2017, we have partially utilized such proceeds in accordance with the use of proceeds as disclosed in the Prospectus. Detailed information is set out under "Capital Expenditure" in the section headed "Management Discussion and Analysis" on page 37 of this annual report.

AUDIT COMMITTEE

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

The Audit Committee has discussed with the management and reviewed this annual report and the financial results of the Group for the year ended 31 December 2017.

The consolidated financial statements of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2017 have been audited by Ernst & Young, the auditor of the Company.

AUDITOR

The Company re-appointed Ernst & Young as the auditor of the Group in 2017. The Company has not changed the appointment of the auditor in the past 3 years. The proposal of re-appointing Ernst & Young as the auditor of the Company will be put forward at the Company's AGM for consideration and approval of the shareholders of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2017, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company in all material respects.

THE PUBLICATION OF THE ANNUAL REPORT

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

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

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

On behalf of the Board

Guo Weiping
Executive Director

Hong Kong
27 March 2018

ESG Report

ABOUT THIS REPORT

This report aims to provide the performance of Universal Medical Financial & Technical Advisory Services Company Limited (hereinafter referred to as "Universal Medical" or "the Group" or "we") in the sustainable development work in 2017, which mainly includes the concerns of major stakeholders in environmental and social issues related to the sustainable development of the Group, so that stakeholders can better understand the Group's sustainable development concepts, measures and related performance. This report should be read in conjunction with the "Corporate Governance Report" section in this annual report in order to fully understand the relevant performance of the Group.

THE SCOPE AND CYCLE OF THIS REPORT

Organization scope: This report covers the business locations of Universal Medical and its wholly-owned subsidiary China Universal Leasing Co.,Ltd. (hereinafter referred to as "CULC") in Beijing.

Time scope: Unless otherwise stated, the time scope of the information and data in this report is from 1 January 2017 to 31 December 2017 (hereinafter referred to as "the reporting period").

Release cycle: This report is expected to be published at the same time as Universal Medical's annual report.

COMPILATION BASIS

This report was prepared by the Group in accordance with Appendix 27 to the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" which is published by The Stock Exchange of Hong Kong Limited (hereinafter referred to as "the Stock Exchange"). The Group's environmental and social management policies, strategies, relevant importance and objectives will be disclosed in the various sections of this report.

RESPONSE TO THIS REPORT

The Group welcomes readers to provide feedback on the Group's environmental, social and governance reporting work. Readers can contact the Group in the following ways:
Proposed supervision Email: jianyijiandu@126.com
Proposed supervision Tel: (+86)010-88316840

REGISTERED OFFICE

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

HEADQUARTERS AND MAJOR BUSINESS LOCATIONS IN CHINA

Address: 8/F, Zhongyi building, No.6, Xizhimenwai Avenue, Xicheng District, Beijing.

1 INNOVATION FOR SUSTAINABLE DEVELOPMENT

1.1 Sustainable Development

1.1.1Development Philosophy

Core value: Integrity, Dedication, Efficiency and Innovation

Mission: Bring Healthier Lives For All Humanity with Quality Healthcare Services

Vision: Focus on Healthcare Industry to be a leading medical and health conglomerate

In 2017, the Group continued to fulfill our core social responsibilities of pursuing innovation, serving the public and promoting sustainable development in environment, economy and society under the core value, mission and vision of Universal Medical and extending the Group's philosophy of environment, society and governance for 2016. While providing the public with advanced integrated medical services for health of all, the Group continues to fulfill its responsibilities towards employees, clients, investors, society, environment and all stakeholders, and promote social progress and human welfare.

1.1.2 Development Direction

As a leading integrated healthcare services provider in China, the Group has established a worldwide quality healthcare resources network and built a global resources platform aligned with domestic healthcare development leveraging on our extensive experience in healthcare industry, so as to provide customers with integrated healthcare solutions which comprise healthcare financial services, hospital investment and management services, healthcare technology services with clinical department upgrade as the core and healthcare digitalization services.

With regard to hospital investment and management business, Universal Medical has formed its unique development strategy in respect of geographical selection, hospital positioning, cooperation model and business deployment in recent years by closely following the changes in policies and market, and leveraging on its advantage in resources. The International Land Port Hospital jointly established by Universal Medical and the First Affiliated Hospital, a large-scale national comprehensive Grade III Class A hospital administered directly by the National Health and Family Planning Commission of the PRC, was implemented successfully. Meanwhile, we also signed framework agreements with various hospitals in different areas and these projects are proceeding in an orderly manner.

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

1.2 Stakeholder Identification and Communication

In order to effectively respond to the concerns of all stakeholders, Universal Medical has provided various communication channels, including general meetings, results presentations, company visits, conference calls, questionnaires, etc. Stakeholders can effectively keep abreast of and supervise the operation of the Group and provide feedbacks on their concerns through the above communication channels.

Stakeholder	Major concerns	Channels for communication	Responses & feedback
Investors	Corporate governance and operating strategies Corporate development prospect Returns on investment Timeliness and transparency of information disclosure Regulatory compliance	General meeting Results presentations Financial reports Roadshows Phone calls & emails	Issue notices and proposals on general meeting according to the regulations Disclose information on schedule Disclose announcements and release periodic reports according to regulations Create effective communication channel
Clients	Service quality Client information security The value of service	Customer research After-sale service and complaints Regular visits Suggestion on supervising emails and telephones	Conduct customer survey Enhance service management Handle complaints and other after-sale problems timely

Stakeholder	Major concerns	Channels for communication	Responses & feedback
Employees	Remuneration package Training and development Working environment Corporate operation	Labour union Employee training Employee activities	Build a fair remuneration and promotion system Organize occupational trainings and various activities for employees Foster a healthy and safe working environment
Government and regulators	Pay taxes according to law Timeliness and standardization of information disclosure Corporate governance Resource conservation	Institution investigation Report on the work Information disclosure	Abide by laws and regulations strictly True and accurate information disclosure Legitimate operation Routine governmental and regulatory inspection
Suppliers	Fulfillment of contract obligations on schedule Long-term stable cooperation Corporate reputation	Trade fair Communications	Fulfillment of contract obligations Sustain long-term partnership with outstanding suppliers
Distributors	Corporate operating strategies Sustainability Timeliness of information disclosure Compliance	Results presentation Financial reports Distributor conferences Communications	Disclose corporate information on schedule Disclose announcements and release periodic reports according to regulations Create effective communication channels
Community and public	Social welfare Environmental protection Business ethics	Community/public service activities Suggestion on supervising emails and telephones	Hold community service and academic exchanges activities Create communication channels for suggestion and supervision

On the basis of the above-mentioned concerns of all stakeholders, the Group decides the essential issues on environment and social responsibility covered in this report. In the future, the Group will continue to assess and evaluate related issues, deepen and extend research and study upon stakeholders, as well as, specify disclosure information of various regular reports according to the results of research and study.

The Group has built good relationship with investors throughout the years by holding general meetings and results presentations. Comparing to 2016, the Group organized more conference calls in 2017, and attended one-on-one meetings, group meetings, press conferences, investor conferences, etc. to enhance our communication with investors. On the one hand, multiple channels interaction between the Group and investors were guaranteed with the aforesaid methods to make it more accessible for the Group to understand investors' demands, follow market trends and hot issues, report to senior management for more prompt feedback to investors. On the other hand, the frequent and multi-layer communications brought more exposure to the capital market and recognition from investors.

Stakeholder communication: general meetings

On the morning of 5 June 2017, the annual general meeting of Universal Medical was held in Hong Kong for considering and approving the financial report of the Group for the year ended 31 December 2016, dividend distribution and other matters. The meeting was attended by Mr. Zhang Yichen (Chairman), Mr. Jiang Xin (Vice-chairman), Mr. Guo Weiping (executive Director and CEO) and Ms. Peng Jiahong (executive Director and CFO).

On the morning of 28 December 2017, the extraordinary general meeting of Universal Medical was held in Hong Kong for considering and approving the continuing connected transactions and other matters.

Stakeholder communication: results presentations

In order to maintain communication with investors, enhance the recognition from investors and increase the Company's exposure to the capital market, Universal Medical convened two results presentations in Hong Kong for announcing the 2016 final results and 2017 interim results of the Group to investors on 29 March 2017 and 25 August 2017, respectively. The conferences were attended by Mr. Guo Weiping (executive Director and CEO) and Ms. Peng Jiahong (executive Director and CFO) on behalf of the management of the Group, during which Mr. Guo Weiping gave comprehensive briefings on the operation, development prospect and target of the Group and Ms. Peng Jiahong made thorough and detailed introduction of the financial performance of the Group. During the conferences, the two management of the Group clearly answered investors' questions in a lively atmosphere.

1.3 Awards

In recent years, Universal Medical seized opportunities of healthcare industry policies, made steady progress and maintained stable growth of operating results. Its new strategic business has demonstrated considerable progress. Leveraging on its extensive experience in healthcare industry and outstanding financial performance, Universal Medical is widely recognized by the capital market, and its financing capabilities and financing structure are improved continuously. On 16 August 2017, Hang Seng Indexes Company Limited announced the quarterly review results of Hang Seng Family of Indexes as of 30 June 2017, and Universal Medical was included in the list for Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index/SmallCap Index. In addition, the Group received various relevant awards during the reporting period.

Ms. Peng Jiahong was again awarded the "Best CFO for 2017"

Ms. Peng Jiahong, the executive Director and CFO of Universal Medical, was awarded the "Best CFO for 2017" for the third consecutive year at the awarding ceremony of the "2017 China Financial Market Awards for Listed Companies" held in Hong Kong on 8 January 2018.

Universal Medical was awarded "2017 Golden Hong Kong Shares – Best Investor Relations Management of Listed Companies"

In 2017, Universal Medical persisted in maintaining close liaison with the public, institutions and the media proactively. It strived to build a comprehensive investor relations management system and endeavored to become an enterprise and manager with good reputation among investors. In the Summit on the Insights of New Values of Hong Kong Shares and the awarding ceremony of the Listed Companies of "2017 Golden Hong Kong Shares" held in Shenzhen, Universal Medical was awarded "2017 Golden Hong Kong Shares – Best Investor Relations Management of Listed Companies" through online voting and professional rankings of the assessment committee of the Stock Exchange.

The assessment committee stated that the award of the "Golden Hong Kong Shares – Best Investor Relations Management of Listed Companies" to Universal Medical has demonstrated the attention of the industry and investors to the corporate governance, which is an enormous inspiration to Universal Medical.

2 MAINTAINING INTEGRITY AND DEDICATION

2.1 Safe and Reliable

The Group strives to become a leading international healthcare group that plays a critical role in modernizing clinical capabilities of China's healthcare institutions. In order to provide world-class services, we continuously perfect our managerial mechanism and create more value for clients through our high-quality and all-round integrated healthcare solutions. The Group complies with the Trademark Law of the PRC, Regulation for the Implementation of the Trademark Law of the PRC, Administrative Measures for Medical Advertisements, Patent Law of the PRC, Detailed Rules for the Implementation of the Patent Law of the PRC, Anti-Unfair Competition Law of the PRC, Several Provisions on Prohibiting Infringements upon Trade Secrets and other requirements of laws and regulations in providing advisory services so as to strictly protect the privacy of customers and ensure the security of data and information.

The information system served for client data storage is put in the Group's central server room, and employees are required to strictly comply with the Administrative Measures for Central Server Room of Universal Medical. The central server room is equipped with Fingerprint/Keypad Lock, along with assigned officers patrolling every day. The department of central server room management backs up substantial data and system logs regularly according to the backup requirements, and inspects and maintains backup storage devices daily to ensure the functioning of backup storage system. As for updated information systems, the back office is required to separate admin privileges of system administrators to enhance authorized rights management.

2.2 Win-win Cooperation

Over the years, the Group has been committed to corporate citizenship, targeting at serving people's livelihood and boosting the development of China's healthcare industry. We have in-depth understanding of customers' needs and constantly improve our service system to fulfill the social and economic responsibility. To achieve this goal, the Group also requires its suppliers to actively fulfill their environmental and social responsibility for making contributions to public service fields including healthcare.

The Group's suppliers are mainly financial institutions that provide loan financing and other forms of financing medical equipment suppliers, law firms, consulting companies, auditors, and hardware and software suppliers. Given the broad scope of business both at home and abroad, the Group therefore endeavours to select qualified, legitimate, well-performing and prestigious suppliers in accordance with local laws and regulations and the Administrative Measures for Centralized Purchasing formulated by Universal Medical during the cooperation with the suppliers.

The Administrative Measures for Centralized Purchasing stipulate the corresponding duties of all relevant management bodies in respect of procurement, and specify that the principle of "open, fair and just competition and effective procurement" shall be adhered to. Meanwhile, in order to fulfill social responsibilities and ensure service quality, the Group stipulates in the Administrative Measures for Centralized Purchasing that the operating activities of the suppliers during the recent three years shall have no record of materially violating the relevant social and environmental laws, and designated staff are arranged to assess and evaluate the service and quality of the suppliers annually. The environmental performance and social risks of the suppliers are reviewed and assessed in multiple dimensions. An assessment team shall determine the retention or dismissal of suppliers based on the results of review and needs. In the event that the suppliers experience incidents concerning environmental and social responsibilities during performance process, the Group shall immediately cease to purchase from the suppliers and forbid the suppliers from participating in the bidding of the Group for three years. We intend to encourage the suppliers of the Group and its subsidiaries to fulfill environmental and social responsibilities and minimize the relevant risk of the Group and suppliers to achieve the ultimate goal of win-win cooperation by managing and regulating the supply chain system.

3 PUTTING PEOPLE FIRST AND CREATING DEVELOPMENT OPPORTUNITIES

3.1 Talent Strategy

Universal Medical adheres to the principle of "people-oriented and talent comes first". We strive to create a professional staff team with global vision, expertise and in-depth understanding of the integrated healthcare service industry, so as to facilitate a stable growth of economic benefits, value-added human resources and continuous enhancement of customers' values.

The Group creates a senior management team with global vision, builds an elite middle management and junior employees team with core skills, and attracts energetic outstanding graduates to join us to ensure a solid foundation for the development of Universal Medical. Meanwhile, the Group attaches great importance to internal training and introduction of new blood to fully bring out employees' potentials and create promising development opportunities for talents.

Recruitment and dismissal

The Group enters into legal and valid labour contracts with employees in compliance with Labour Law of the PRC (hereinafter referred to as the "Labour Law"), Labor Contract Law of the PRC (hereinafter referred to as the "Labor Contract Law"), Law of the PRC on the Protection of Minors and other relevant laws and regulations and subject to the principle of equality, voluntariness and negotiations for consensus. Universal Medical has also formulated an internal system, including Administrative Measures for Labor Contract, Administrative Measures for Employee Recruitment, Administrative Measures for College Graduates Reception and Operation Manual for Positions Recruited (hereinafter referred to as the "Recruitment Manual"). We strictly comply with the relevant requirements in staff recruitment. The Group strictly conforms to standard procedures in plan formulation, recruitment standard setting, interviews, written tests, appointments, probation feedback and assessment, assuring procedural justice and detailed management. All candidates are recruited on a fair and stringent basis. To avoid the selection of minors under 16 years of age, the Group requires all new employees to provide actual and valid identity documents, registers of families and the certificate of social security payment for inspection. Any candidate providing false information will not be hired.

The Group formulated Regulations on Separating Employee Management on the basis of Labour Law and Labor Dispute Mediation and Arbitration Law of the PRC, to safeguard employees' legitimate rights, secure the safety of corporate information and files, standardize check-out procedures and reduce labour disputes in the event of contract termination and employee dismissal. The regulation standardizes procedures on different types of leaving and protection measures for involved parties. During the reporting period, the relevant system operated smoothly and no violation of relevant national laws or regulations was reported.

Remuneration package

We places great emphasis on and secure the legitimate rights of employees, and strictly comply with Labour Law and relevant local laws and regulations in determining wages of employees. During the reporting period, the salaries payment and other operations of the Group comply with the requirements of systems and procedures.

In addition, the Group pays social insurances and housing provident fund for all types of employees in strict compliance with Labor Contract Law, Payment of Wages Tentative Provisions, Regulations on Management of Housing Provident Fund, Regulations of Paid Annual Leave of Employees and relevant laws and regulations. Apart from statutory benefits, we continue to implement long-term plans for talent incentive mechanism, improve supplementary pension insurance scheme for employees, and implement corporate annuity and additional medical insurance scheme for staff.

Promotion and development

The Group is committed to assisting employees in planning their career, establishing a scientific and standardized evaluation system, selecting talents in a fair, impartial and transparent way, and creating a harmonious and stable environment for employees that could better exploit their talent.

Working hours and leave

The Group promulgates Administrative Measures for Employees Attendance, Leave and Annual Leave and Regulations on Paid Annual Leave of the Employees in compliance with Labour Law, Regulations of Paid Annual Leave of Employees and relevant local requirements and taking in account of practical situation, to make sure rights and responsibilities are clearly stated and employees' lawful rights of rest and annual leave are safeguarded.

Diversity, equal opportunity and anti-discrimination

The Group's business covers all over the country, not only introducing talents from a variety of places and nationalities of China, but also encouraging internal exchange and communication to foster cultural diversity and cohesion within the Group. The Group takes pride in its well-structured workforce with a balanced proportion of different sectors and posts. To fully undertake its social responsibility, the Group creates jobs open to public equally and offers opportunities for veterans. During the reporting period, there was no case of discrimination identified within the Group.

Code of conduct

The Group abided by Criminal Law of the PRC, Criminal Procedure Law of the PRC, Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Criminal Cases of Corruption and Bribery, Anti-Money Laundering Law of the PRC and other anti-corruption, anti-extortion, counter-fraud, anti-money laundering laws and regulations, to continuously advocate anti-graft, foster sense of integrity and discipline among employees and regulate relevant systems of the Group. In 2017, the Group continued to implement the Interim Administrative Measures on the Reporting, and specified reporting procedure. Meanwhile, it stipulated the "Major Tasks of Anti-Corruption Construction of Universal Medical for 2017" and task breakdown table, as well as, 6 work plans regarding enhancing system management, themed events and daily work. The relevant responsible leaders, their corresponding responsibilities and the completion time are designated.

Enhancing work ethics education and organizing employees to watch "The Fading Life"

The Group requires our employees to be vigilant at all times, strictly comply with national laws and regulations, behave with integrity and work with honesty. In order to reinforce employees' ethical and moral defences, the Group organized employees to participate in the anti-corruption education and training activities on 14 December 2017. Mr. Guo Weiping (executive Director and CEO) and Ms. Peng Jiahong (executive Director and CFO) also attended the activities and watched "Fading Life", an educational film, with the employees.

A discussion was organized among the employees after the film and the employees expressed that they would take warning from the film and enhance probity and self-discipline.

3.2 Growing Together

Employees are one of the most valuable assets of the Group, and we intend to provide adequate learning opportunities and clear development pathways for our talents. The Group has established a comprehensive training system for employees of different levels and types to build up a talent pool by means of face-to-face lectures, quality development and E-learning online platform, thereby boosting employees' growth and assisting them in working out short, medium and long term targets and directions by focusing on the job career planning and talent pool management of employees.

The Group stipulated the Administrative Measures for Employee Training (hereinafter referred to as the "Measures on Training") to strengthen the education and training management of employees, enhance the leadership standard, managerial capacity and expertise of the management of all levels, and improve the working skills and comprehensive quality of employees. It specifies the organizational and managerial responsibilities for different types and targets of training, and provide adequate platforms for all staff (from junior employees to senior management) to exploit their talent and potentials.

3.2.1 Training Programs

The Group carried out studies on training requirements of employees of all levels by questionnaire survey pursuant to the Provision on Training to actively keep abreast with their demands for development and growth. We made new measures based on the development needs of employees to diversify training programs in 2017.

According to records, the Group completed 6 training programs in 2017, including regular trainings and special trainings. Regular trainings were composed of training programs for employees from social recruitment and campus recruitment. In addition to regular trainings, the Group also developed four special training programs, including "Innovative model for CVA", Phase I "Intensive Exploitation", hospitals merger and acquisition and internal trainers courses, to cater for the learning demands of employees and explore their advantages and interests. The specific percentage of employees trained and average hours of training are shown as follows:

Types of employees		Percentage of employees trained	Average hours of training received per employee
Gender	**Male**	59.7%	108
	Female	41.2%	91
Level	**Senior**	100.0%	96
	Middle	87.1%	23
	Junior	49.6%	110

Diversified special training activities

In 2017, the Group organized trainings for internal trainers and hospitals merger and acquisition, to further explore internal source of knowledge, train up internal talents, and facilitate more internal and external exchanges and retention of expertise, experiences and skills. During the training of internal trainers, the Group selected staff who are willing to share and learn and having outstanding expertise and talent in specific domains from various departments. They formed a team of knowledge officers to support platforms for sharing knowledge. The knowledge officers shared their expertise in medicine, application of office software, integrated business quality and other fields every week.

Moreover, on the back of the healthcare technology cooperation department, the Group organized the training course of "Innovative model for CVA" with 135 participants at the beginning of 2017. They studied the new models, new methods and new thinking of CVA program operation. Experts from Xuanwu Hospital were invited to explain the latest results of CVA technologies. The training activity successfully promoted the clinical department upgrade business and further strengthened the leading position of the Group as an integrated healthcare services provider.

Great significance has also been placed by the Group on project managers' demand for development and growth. In 2017, project managers across the country were gathered in Beijing to participate in a training program themed as "Phase I Intensive Exploitation Training Course". The activity facilitated the implementation of the Group's strategies, reinforced the foundation of the integrated healthcare services, and enhanced and enriched the knowledge and integrated quality of project managers of the Group.

3.3 Caring for employees

The Group attaches great importance to humanitarian concern and sticks to the philosophy of "Happy Work, Healthy Work". We care for our staff's physical and mental health and strive to provide staff with comprehensive welfare benefit programs. Based on the statutory welfare benefits, the Group established a welfare benefit system with multiple dimensions and levels, covering supplementary insurance, supplementary pension, personal accident insurance, diversified group insurance, health checks and health lectures, to ease the physical and mental pressure of staff, alleviate their concerns, and enhance their sense of belongings and happiness.

3.3.1 Health and Safety

The Group strives to provide staff with a comfortable, safe and healthy working environment. We abide by Labour Law, Fire Protection Law of the PRC, Special Rules on the Labor Protection of Female Employees, Measures for the Determination of Work-related Injuries and Regulation on Work-Related Injury Insurances and other laws and regulations, as well as, Occupation Health Safety Management System and other management systems. The Group's commitments are reflected in a number of health and safety measures.

To ensure the safety of its employees, the Group formulated Special Contingency Plan for Treasury of Zhongyi Building, Evacuation Plan for Staff of Si Chuan Building, Integrated Contingency Plan for Incidents relating to Production Safety and other contingency plans for potential safety risks. The contingency plans observe relevant provisions on the administration of fire control safety provided by the office buildings leased by the Group and formulate evacuation plans for potential safety incidents in the offices. Meanwhile, the contingency plans specify the contingency organization system of the Group, and the responsibilities among various departments in case of emergencies, to minimize damage and losses in the event of fire and other incidents.

In addition, the Group organizes trainings in safety education and fire drills for employees on a regular basis to raise their awareness of production safety and the abilities of handling emergencies. All of our workplaces are smoke-free, and cleaning of the air conditioning system and sterilization of office buildings are arranged regularly.

lecture on fire safety and safety hazards identification

The Group invited the Fire Service Education Centre of Beijing Public Security Bureau to conduct fire-fighting and safety training lectures on "Eliminating fire hazards and build a safety Beijing" for the Company on 7 August and 9 November 2017 respectively, in order to further enhance the safety awareness of all employees and to learn about fire safety and the operation of fire-fighting equipment. The Group replaced the propaganda posters of all levels of office buildings, and organized inspections on production safety. From 23 September to 28 September 2017, inspections on safety hazards were carried out in various departments and staff quarters, and non-compliant events (i.e. illegal electricity consumption) were corrected and rectifications were required, so as to ensure the safety of employees.

In order to provide a comfortable and healthy working environment, the Group made the following improvements in 2017:

- **Setting up a breast-feeding room:** A breast-feeding room was designated for mothers working in Zhongyi Tower of Beijing with the coordinating efforts of the Group given a shortage of office space. A refrigerator, an air purifier and other necessary equipment were provided to give special care to breastfeeding staff.

- **Setting up pantries:** Automated coffee machines were provided in the pantries of all levels of Zhongyi Tower, offering a space for staff to have daily communication.

- **Installing water heaters:** Water heaters were installed in the washrooms and pantries of the 7th and 8th floor of office of Zhongyi Tower.

In order to ensure the health of employees, the Group organized the following activities in 2017:

- **Arranging health examinations for staff:** To ensure the health of employees, the Group arranged annual health examinations in professional health examination centers for the employees and they could choose nearby health examination institutions and suitable check-up packages. In 2017, over 500 employees had done health examinations.

- **Providing free Chinese medical consultation:** The Group helped its employees to inspect and understand their own health conditions to alleviate certain common diseases via Chinese medical treatment. During the period from 24 April to 28 April 2017, the Company offered our employees a week-long free Chinese medical consultation by Chinese medical practitioners.

In addition to providing the requisite health and welfare benefits, the Group also encourages our employees to participate in diversified cultural and sports activities via small interest groups. In 2017, running and football interest groups were added to the existing dancing, badminton and basketball teams. More than 60 cultural and sports activities were organized by these interest groups to fully utilize the time after working hours or at weekends. These activities not only help our employees enhance physical fitness and enrich spiritual life, but also strengthen the cohesion of the Group.

Successfully organizing the 5th "Universal Medical Trophy" for badminton tournament

Universal Medical organized the 5th "Universal Medical Trophy" for badminton tournament from 10 May to 24 May 2017. Eight winners were chosen to form teams and take part in the 5th badminton tournament of the representatives of employees held by Genertec from 6 September to 8 September 2017. The activities enhanced the physical fitness of employees, further facilitated the exchanges among members of the Group, and created a harmonious corporate environment.

"Running for youth"

On 18 May 2017, the young staff of the running team of Universal Medical and China National Postal and Telecommunications Appliances Co., Ltd. (hereinafter referred to as the "CNPTA") had a match in Yuyuantan Park for good health and friendship. In the evening, about 30 young staff of Universal Medical and CNPTA gathered in Yuyuantan Park after work. After introductions and collective warm-up exercises, they challenged the preset 5 km and 10 km running routes. The running team of Universal Medical is organized by the young staff of the Group spontaneously, and running and trekking activities are planned every week.

3.3.2 Employee benefits

In 2017, the Group proactively organized the following activities to enrich the welfare of its employees:

- **Celebrating International Women's Day:** To celebrate International Women's Day on 8 March 2017, the Group organized all female staff to make "DIY kites". They were given a lecture on the techniques of making kites, thereby eliminating stress from work. The Group also organized female staff to watch a drama performed by Fun Age on that day, spending a happy time on the Woman's Day.

- **Organizing dating activities for single staff:** To better satisfy the needs of young staff of the Group, enrich their spare time life and create a platform for single young men and women to make friends and socialize, the Group organized two dating activities for young staff.

Team building activities in 2017

The Group has been dedicated to creating a friendly and positive working environment for our employees and raising their sense of belonging and happiness by organizing diversified welfare activities. From 19 August to 20 August 2017, Universal Medical organized a team building activity themed as "Challenging limits and building a Universal dream together", including knowledge quizzes along with trekking and collective oil painting. The activities received excellent response from staff upon announcement due to innovative formats and rich contents. The enrolments hit a new high and exceeded expectations.

Enlightening life with love – Universal Medical organized fundraising activities for a staff's family member suffering from illness

On 12 August 2017, a Wechat article of the staff of Universal Medical was heated up with a fundraising activity themed as "Dad, please show me your perseverance once again". The father of a staff of the Group was receiving treatment for the relapse of multiple myeloma. He had spent a few hundred thousand RMB since the diagnosis in 2013 and the family had exhausted all their savings. The Group learned of his plight and submitted a proposal of fundraising, hoping that the fund could help him tide over the difficult time, and individuals' contribution can make great achievement.

4 GREEN OPERATIONS AND FULFILLING ENVIRONMENTAL RESPONSIBILITIES

4.1 Green management

We attach great importance to resource conservation and environmental protection. During the reporting period, the Group's business and management was in compliance with the relevant requirements of the Environmental Protection Law of the PRC and our project constructions were implemented under the laws and regulations such as the Law of the PRC on Appraising of Environment Impacts, Law of the PRC on Conserving Energy and Regulation on Environmental Impact Assessment of Planning, as well as relevant local environmental requirements.

In response to the National Energy Conservation Week from 11 to 17 June 2017, Universal Medical proposed an initiative to all its employees on improving awareness of energy saving and low carbon and cultivating low-carbon and energy-saving habits on 15 June, the theme of which was "Energy-saving and Green Sharing for us". The initiative included four themes: rational use of electricity, water conservation, green office and low-carbon travels. Meanwhile, for the year 2017, the Group has also made some progress on the green office governance relating to the above four themes.

4.1.1 Rational use of electricity

At present, the Group adopted systems such as the Disciplines and Penalties for Office to regulate the use of electricity in office. The implementation details are as follows:

- We use energy-saving appliances and lamps as much as possible. We make full use of natural light in avenues such as offices and meeting rooms and do not turn on the lights when it is bright enough for the room. We strictly follow the discipline of "turning off the lights when people leave" and eliminate behaviors of "turning on the lights all the time" and "turning on the lights during daytime" and other wasting behaviors.

- We only start computers, printers, fax machines and photocopiers and other equipment when we use them or set them up in the automatic energy-saving mode, in order to reduce the time of standby or prevent them from being in standby mode for a long time. After working hours, we shut down the power of all kinds of electrical appliance.

- We set reasonable temperatures for the air-conditioners. We set the indoor temperature of air-conditioners at not lower than 26 degrees centigrade during summer and not higher than 20 degrees centigrade during winter. We make sure that the air-conditioner remains turn-off when no one is around; the windows and doors are shut when the air-conditioner is on; and we advocate that we should reduce the running time of the air-conditioner by one hour each day. The fan coil, filter and other devices of the home air-conditioner systems were cleaned regularly in order to improve the energy efficiency of air-conditioners.

4.1.2 Water conservation

The Group advocates and encourages employees to save water during their daily work. The measures are as follows:

- The awareness of water conservation should be enhanced. If the water equipment in the offices is found evaporating, emitting, dripping, leaking or flowing for a long time, the staff should timely contact the property management for maintenance.

- We should develop good habits of water use and control water usage during daily washing. We should not wash vehicles with high pressure clean water. We should learn to recycle water and actually reduce water consumption under meeting basic needs.

4.1.3 Green office

The Group formulates and implements the following policies relating to green office:

- We try to implement a paperless office. Drafting, revising and circulating documents and materials should be done through office software, e-mail and other means, in order to prevent printing out papers and faxes as much as possible. For the issuance of documents and materials, we strictly limit the number of copies issued to avoid over printing and promote double-sided printing.

- We lower the brightness of the monitors without affecting sense of sight and turn off the monitor when leaving for a long time.

4.1.4 Low-carbon travels

In line with the principle of easy management, cost saving, efficiency improvement and quality service, the Group formulated Measures on Management of Motor Vehicles and Drivers. The Measures are aimed at controlling the sources of energy consumption, e.g. vehicle acquisition and usage, driver management and the maintenance and repair of vehicles. In 2017, under the continuous implementation of Measures on Management of Motor Vehicles and Drivers, the gasoline consumption of the Group decreased by 45.2% over the same period of last year. In order to further encourage employees to travel on a low carbon basis, the Group made the following initiatives on the official website:

- For a short distance of commute and trip, we travel on foot, by bicycle or public transport such as subway and bus as much as possible. For going out for purchase by car, we should plan in advance and finish the purchase in one time as much as possible. When driving cars, we should avoid cold start, reduce the duration of idle speed and avoid sudden acceleration as much as possible. For manual gear vehicles, we should choose the right gear and avoid fast driving in low gear. We should use the lubricating oil with the lowest viscosity and regularly replace oil and check tire pressure.

- We advocate that we should choose a day without driving for each week. For new purchase of vehicle, we suggest choosing cars or new energy vehicles with low price, low fuel consumption and few pollution.

4.2 Environmental performance

During the year 2017, we collected the environmental data on the emissions and resource usage at office premises of the Group (located in Zhongyi Building and Sichuan Building).

4.2.1 Emissions

The major non-hazardous waste generated during the daily operation of the Group is office paper. In order to protect the privacy of customers and other partners, waste paper must be shredded. The major hazardous waste generated by the Group are mainly waste lamps and waste ink cartridges, which are safely and properly recycled and handled by third parties.

Solid waste	The amount generated in 2017	The density generated in 2017
Non-hazardous waste		
Paper	22.6 tons	0.04 tons per person
Hazardous waste		
Waste lamps	133	0.23 per person
Waste ink cartridges	460	0.78 per person

Emissions of air pollutants mainly come from the exhaust emissions of vehicles of the Group. In 2017, the Group had a total of 11 vehicles. Waste water is the sanitary sewage in the office premises of the Group, which is discharged to the urban sewage treatment plant for disposal by the sewage system of the building.

Air pollutants and waste water	The amount generated in 2017	The density generated in 2017
Nitrogen oxides (NO_x)	55 kilograms	0.093 kilograms per person
Sulfur oxides (SO_x)	120 grams	0.20 grams per person
Carbon monoxide (CO)	846 kilograms	1.44 kilograms per person
Particulates (PM2.5)	4,522 grams	7.69 grams per person
Particulates (PM10)	4,878 grams	8.30 grams per person
Sanitary sewage	5,736 tons	9.76 tons per person

The Group started to measure and calculate the greenhouse gas emissions from its operations in 2017. Range one of greenhouse gas emissions is from exhaust emissions from the vehicles of the Group and Range two is from indirect emissions from purchased electricity of the Group.

Greenhouse gas	Emission amount in 2017	Emission density in 2017
Carbon dioxide (CO_2) emission (Range one)	22.44 tons	0.04 tons per person
Carbon dioxide (CO_2) emission (Range two)	486.63 tons	0.83 tons per person
Total carbon dioxide (CO_2) emission	509.06 tons	0.87 tons per person

4.2.2 Resource usage

As the Group does not have independent water and electricity meters in the office premises in Zhongyi Building and Sichuan Building, the water and electricity consumption set out below are estimations. The specific calculation method is as follows:

$$\text{Water and electricity consumption of the Group} = \text{the total average power consumption or water consumption of the building} \times \frac{\text{Area of the office premises of the Group}}{\text{The total floor area of the building}}$$

Resource usage	Consumption in 2017	Per capita consumption in 2017
Total water consumption	5,736 tons	9.76 tons per person
Total electricity consumption	550,294 degrees	935.87 degrees per person
Gasoline consumption	8,058 liters	13.70 liters per person
Office paper (A4, 500 sheets per package)	2,110 packages	3.59 packages per person

5 DEDICATE OURSELVES TO MEDICAL CONTRIBUTIONS IN PEOPLE'S LIVELIHOOD

5.1 Mutually benefiting from communication and sharing of medical achievement

In 2017, Universal Medical participated in a number of medical academic conferences, including National Respiratory Diameter and Interventional Respiratory Symposium, Annual Meeting of China Non-invasive Medical Professional Committee of Chinese Medical Association, Annual Meeting of National Respiratory Disease Symposium, National Anesthesia Conference and Sino-US Health Summit in which we demonstrated medical achievements and provide various kinds of support. By participating in and supporting such activities, we wish to contribute to the great cause of social health.

The Second China Industry-Study-Research Cooperation Summit

The Group plays a key role in the modernization of diagnosis and treatment capabilities in China's medical institutions and continues to share the Group's philosophy and achievements in various medical academic conferences. On 16 December 2017, as a leading healthcare company in the industry, Universal Medical was invited to attend the Second China Industry-Study-Research Cooperation Summit. The theme of this meeting was "Seize the Opportunity and Ground Innovation Results", covering major issues such as future development trend of health management, launch of the latest health management achievements, sharing experience of successful health management, transformation and cooperation among industry-study-research, start-up fund guarantee of financial capital, support in "Two start-ups Mode" Introduction, etc.

At the meeting, Mr. Guo Weiping, CEO of Universal Medical, delivered an important speech on the theme that "Capital helps the development of China's health industry", based on the successful experience of Universal Medical in health management over the years. Mr. Guo Weiping said that as of the present, Universal Medical has provided hundreds of billions capital support to the construction and development of thousands of hospitals across the country, as well as the enhancement of medical technology and medical service capabilities. In the future, Universal Medical will continue to invest funds and technology to promote the development of the Comprehensive Health market in China, promote the formation of the Comprehensive Health system with Chinese characteristics and ultimately achieve the goal of "health for all".

The Seventh Sino-US Health Summit

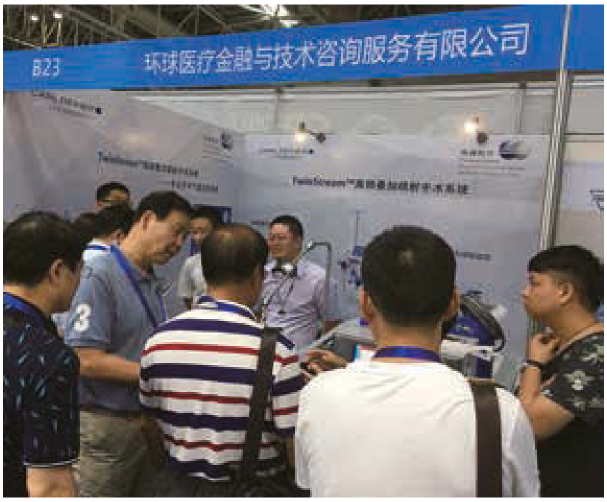
The Group has always supported the exchanges of knowledge, ideas and experiences among current and future healthcare leaders in China, the United States and other countries. On 23 September 2017, Mr. Guo Weiping, CEO of Universal Medical, was invited to attend the Seventh Sino-US Health Summit and delivered a speech.

The theme of this summit was "Comprehensive Health and Large Trend," which coincides with the Chinese government's efforts to promote the development of the Comprehensive Health industry in recent years. During the Summit, Mr. Guo Weiping, CEO of Universal Medical made an address with the topic of "Development Trend and Discussion of China's Comprehensive Health Industry". Mr. Guo Weiping stated that the comprehensive health industry is a great cause concerning the health and happy life of 1.38 billion people in China. Universal Medical has been devoted itself to the medical and health industry for many years and has a deep understanding of the health needs of the people. Three points need to be focused on for China's health industry promotion, he said, first of all, attach great importance to preventive medicine so as to decrease morbidity, delay onset age and even rule out the possibility; secondly, integrate combined medicine with teamwork medicine and precision medicine so as to effectively raise the availability and cut the cost of seeing a doctor; last but not least, combine healthcare with elderly care and provide customized services for the people to enjoy adequate care throughout old age.

Annual Meeting of National Respiratory Disease Symposium

The National Respiratory Disease Symposium is an academic conference of the highest academic level and standards in the respiratory disease area of China. It is also an important platform to demonstrate the latest research achievements of respiratory disease and promote extensive communication and discussion among experts of respiratory disease research. From 21 to 24 September 2017, representatives of Universal Medical were invited to attend the Annual Meeting of Respiratory Diseases of Chinese Medical Association, aka the 18th National Respiratory Disease Symposium.

At the meeting, Universal Medical introduced the world-leading TWINSTREAM high-frequency jetting operation system, which was highly recognized by and drew attention of over 6,000 domestic and overseas experts in the field of respiratory disease. By participating in the academic feast, we hope to continuously deepen communication with industry experts so as to jointly explore and make concerted efforts to contribute to the research on respiratory diseases in China and human health.



5.2 Ten years of efforts in prevention and control of CVA

Chronic non-infectious disease has resulted in 85% death toll and 70% disease burden in heavily-populated China. Universal Medical has been proactive in implementing national policies for years and stuck to its social responsibility and promise as a central State-owned enterprise to make contributions to national healthcare development through its continuous effort.

With the continuous implementation of in-depth reform in national healthcare system, Universal Medical has integrated national healthcare concept into corporate development strategy as early as 2008. CVA received great attention for its severity in morbidity, disability rate, death rate, recurrence rate and economic burden, and became the most important medical service project of Universal Medical. Universal Medical provides integrated services to partnered primary hospitals including support in technology, management, training, equipment and financing, in order to continuously improve the management level of CVA treatment in partnered hospitals and optimize the multidisciplinary collaboration model.

Through years of operation, Universal Medical has established cooperative relationship with over a hundred hospitals in over 20 provinces up to now, and established five modeling centers in Qiqihar Jianhua Hospital, Maoming People's Hospital, Wuzhong People's Hospital, Rizhao Hospital of Traditional Chinese Medicine and Ankang Central Hospital.

Universal Medical Initiated the CVA Prevention and Treatment Project in Ankang, Shaanxi Province

Universal Medical has cooperated with Sino-US Stroke Center ever since 2010 and initiated "Smile Project" to provide hospitals in China with support in equipment outsourcing, technology exchanges, clinical training and financing support for patients to get treated in a really specific and efficient way. Up to now, Universal Medical has signed CVA project agreements with over 100 hospitals in 22 provinces in China to make an overall improvement in their stroke prevention and treatment capabilities.

Universal Medical initiated its CVA Project on 1 August 2017 in Ankang City Central Hospital, Shaanxi Province, which marked another big step on the company's road to cooperate with governments and medical institutions for regional healthcare development.

During the founding ceremony, the company also invited Professor Wang Jinhuan, director of Stroke Management and Guiding Department in NHFPC Stroke Prevention and Treatment Commission, Professor Yong Qiang, head of Ultrasonography Department of Beijing Anzhen Hospital, Capital Medical University, Professor Zhuo Jie and Professor Ji Yong from Tianjin Huanhu Hospital and other reputed experts in CVA area to share views on stroke prevention and treatment practice with over 200 representatives from medical institutions in Ankang.

2017 Smile Stroke Conference (the 10th Sino-U.S. Cerebrovascular Disease Forum)

To further improve the CVA prevention and treatment capabilities in China and continuously facilitate the national healthcare development, Universal Medical held the 2017 Smile Stroke Conference and the 10th Sino-U.S. Cerebrovascular Disease Forum from 18 to 20 October 2017 with the support from Tianjin Huanhu Hospital and the Neurosurgery Committee under the Tianjin Medical Doctor Association.

Numbers of reputed experts were invited to the conference, i.e., Mr. Wang Longde, academician of Chinese Academy of Engineering, deputy director of Stroke Committee under NHFPC and director of Stroke Management and Guidance Committee, Mr. Wang Jinhuan, deputy-director of Stroke Management and Guidance Committee, Mr. Liu Yuanli, director of Public Health School, Union Medical University, and other academic leaders from domestic and overseas institutions like Beijing Anzhen Hospital, Xuanwu Hospital, PKU People's Hospital, Fuwai Hospital, Tianjin Huanhu Hospital, NY Northwell Group as well as Houston Methodist Hospital in the U.S.. Over 500 experts from domestic hospitals had in-depth discussions on the latest research results of stroke prevention and treatment.

While facilitating the development of healthcare industry and making economic gains, Universal Medical also actively contributes to the society and cares for vulnerable groups through voluntary tree planting activities, donation for education, poverty alleviation and disaster relief and voluntary services, thereby facilitating the harmonious development between enterprises and the society and sharing the development results.

6 INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

General Disclosures and KPIs	Description	Relevant sections or other explanation in the Report	Page number
Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	4.1 Green Management	113
KPI A1.1	The types of emissions and respective emissions data	4.2.1 Emissions	116
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	4.2.1 Emissions	116
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	4.2.1 Emissions	116
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	4.2.1 Emissions	116
KPI A1.5	Description of measures to mitigate emissions and results achieved	4.1 Green Management	113
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	4.1 Green Management	113
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	4.1 Green Management	113
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	4.2.2 Resources Usage	117
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	4.2.2 Resources Usage	117

General Disclosures and KPIs	Description	Relevant sections or other explanation in the Report	Page number
KPI A2.3	Description of energy use efficiency initiatives and results achieved	4.1 Green Management	113
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	4.1 Green Management	113
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable	
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	4.1 Green Management	113
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	4.1 Green Management	113
Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	3.1 Talent Strategy	102
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	3.3.1 Health and Safety	108

General Disclosures and KPIs	Description	Relevant sections or other explanation in the Report	Page number
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	3.2 Growing Together	105
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	3.2 Growing Together	105
KPI B3.2	The average training hours completed per employee by gender and employee category	3.2 Growing Together	105
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	3.1 Talent Strategy	102
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	2.2 Win-Win Cooperation	101
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	2.1 Safe and Reliable	101
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	3.1 Talent Strategy	102

General Disclosures and KPIs	Description	Relevant sections or other explanation in the Report	Page number
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	5 Dedicate Ourselves to Medical Contributions in People's Livelihood	118
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	5 Dedicate Ourselves to Medical Contributions in People's Livelihood	118

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Universal Medical Financial & Technical Advisory Services Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 134 to 224, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Allowance for impairment of lease receivables Lease receivables comprised 91% of the Group's total assets as of 31 December 2017. The allowance for impairment of lease receivables is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group first assesses whether impairment exists individually for lease receivables that are individually significant, or collectively for lease receivables that are not individually significant and then measures the impairment allowance for lease receivables individually or collectively after considering the historical loss data and qualitative factors on risk grading for lease receivables comprehensively. The related disclosures are included in notes 3, 16(c) and 35 to the consolidated financial statements.	We understood and tested the key controls over the approval and recording of lease receivables, and impairment assessment. We selected samples of lease receivables to check the credit grading process and if the identification and timeline of identifying impairment indicators. We adopted a risk-based sampling approach in our tests on allowance for impairment of lease receivables. We selected samples considering the size, risk factors, industry trends of the receivables for our tests to assess the risk grading and measurement of impairment. We assessed management's forecast of future repayments and current financial conditions of the lessees in relation to non-performing assets, based on historical experience, value of collateral and observable external data. We also evaluated the methodologies, inputs and assumptions used by the Group in calculating the collectively assessed impairment allowance. We assessed the adequacy of the disclosures about the allowance for impairment of loans included in the consolidated financial statements.
Recognition of deferred tax assets As at 31 December 2017, the net deferred tax assets recognised in the consolidated statement of financial position amounted to RMB163,876,000. The deferred tax assets were recognised based on management's estimation of future taxable profits that would be available to utilise the deferred tax assets. The process of estimating the availability of future taxable profits was complex, and involved estimates and significant judgements involving forecasts of future actual operations, tax regulations, as well as market and economic conditions. The related disclosures are included in notes 3, 9 and 22 to the consolidated financial statements.	We evaluated and tested management's assessment on future available taxable profits by checking the Group's business plans, profit forecasts and historical financial and tax information. We also involved our tax specialists to assist in assessing the Group's tax positions and the related assumptions. We checked the relevant disclosures of deferred tax assets in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**3,418,829**	2,700,916
Cost of sales		**(1,244,640)**	(965,970)
Gross profit		**2,174,189**	1,734,946
Other income and gains	5	**60,810**	28,616
Selling and distribution costs		**(334,203)**	(277,251)
Administrative expenses		**(303,287)**	(277,232)
Financial costs		**(122)**	–
Other expenses		**(20,926)**	(3,134)
PROFIT BEFORE TAX	6	**1,576,461**	1,205,945
Income tax expense	9	**(427,782)**	(333,635)
PROFIT FOR THE YEAR		**1,148,679**	872,310
Attributable to:			
Owners of the parent		**1,148,658**	872,310
Non-controlling interests		**21**	–
		1,148,679	872,310
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	11	**0.67**	0.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
PROFIT FOR THE YEAR	**1,148,679**	872,310
OTHER COMPREHENSIVE INCOME		
Item not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements into the presentation currency	**–**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,148,679**	872,310
Attributable to:		
Owners of the parent	**1,148,658**	872,310
Non-controlling interests	**21**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**86,883**	98,563
Loans and accounts receivables	16	**25,385,314**	19,754,852
Prepayments, deposits and other receivables	17	**111,111**	13,332
Available-for-sale investments	13	**43,961**	64,916
Goodwill		**9,211**	–
Deferred tax assets	22	**163,876**	53,544
Other assets		**4,678**	3,396
Total non-current assets		**25,805,034**	19,988,603
CURRENT ASSETS			
Inventories	15	**21,045**	2,054
Loans and accounts receivables	16	**9,184,775**	7,005,683
Prepayments, deposits and other receivables	17	**34,126**	27,551
Derivative financial assets	14	**5,273**	7,828
Restricted deposits	18	**932,376**	660,406
Cash and cash equivalents	18	**1,749,884**	1,272,458
Total current assets		**11,927,479**	8,975,980
CURRENT LIABILITIES			
Trade payables	19	**264,697**	194,333
Other payables and accruals	20	**845,314**	626,182
Interest-bearing bank and other borrowings	21	**10,963,552**	6,284,903
Derivative financial liabilities	14	**16,844**	–
Tax payable		**70,355**	69,302
Total current liabilities		**12,160,762**	7,174,720
NET CURRENT (LIABILITIES)/ASSETS		**(233,283)**	1,801,260
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,571,751**	21,789,863

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	21	**15,919,143**	13,200,556
Other payables and accruals	20	**2,139,821**	1,950,000
Other liabilities		**43,961**	64,916
Total non-current liabilities		**18,102,925**	15,215,472
Net assets		**7,468,826**	6,574,391
Equity attributable to the owners of the parent			
Share capital	24	**4,327,842**	4,327,842
Reserves	25	**3,140,759**	2,246,549
		7,468,601	6,574,391
Non-controlling interest		**225**	–
Total equity		**7,468,826**	6,574,391

Guo Weiping
Director

Peng Jiahong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Equity attributable to the owners of the parent							
	Share capital RMB'000 (Note 24)	Capital reserve* RMB'000 (Note 25)	Statutory reserve* RMB'000 (Note 25)	Exchange fluctuation reserve* RMB'000 (Note 25)	Retained profits* RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2017	**4,327,842**	**33,302**	**278,201**	**29,248**	**1,905,798**	**6,574,391**	**–**	**6,574,391**
Profit for the year	–	–	–	–	1,148,658	1,148,658	21	1,148,679
Other comprehensive Income for the year	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	1,148,658	1,148,658	21	1,148,679
Acquisition of a subsidiary	–	–	–	–	–	–	204	204
Dividends	–	–	–	–	(254,448)	(254,448)	–	(254,448)
Appropriation of reserves	–	–	121,125	–	(121,125)	–	–	–
At 31 December 2017	**4,327,842**	**33,302**	**399,326**	**29,248**	**2,678,883**	**7,468,601**	**225**	**7,468,826**

* These reserve accounts comprise the consolidated reserves of RMB3,140,759,000 (2016: RMB2,246,549,000) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,576,461**	1,205,945
Adjustments for:			
Finance costs	6	**1,130,294**	940,155
Interest expense		**122**	–
Interest income	5	**(18,253)**	(7,505)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value losses/(gains), net	6	**19,399**	(7,799)
Depreciation		**27,490**	22,271
Amortization of intangible assets	6	**427**	38
Provision for impairment of lease receivables	16	**113,809**	116,068
Provision for impairment of accounts receivable	16	**(142)**	–
Investment income	5	**(18,533)**	(1,017)
Foreign exchange gain, net		**(14,129)**	(1,277)
Equity-settled share-based compensation expense	26	**–**	9,364
		2,816,945	2,276,243
(Increase)/decrease in inventories		**(10,527)**	589
Increase in loans and accounts receivables		**(7,875,914)**	(5,570,341)
(Increase)/decrease in prepayments, deposits and other receivables		**(145,421)**	73,955
Increase in other assets		**(380)**	(2,385)
Decrease in amounts due from related parties		**7,169**	11,020
Increase in trade payables and notes payable		**346,683**	779,444
Increase in other payables and accruals		**302,592**	403,528
Increase in amounts due to related parties		**2,095**	114
Net cash flows used in operating activities before interest and tax		**(4,556,758)**	(2,027,833)
Interest received		**18,253**	7,505
Income tax paid		**(533,646)**	(361,317)
Net cash flows used in operating activities		**(5,072,151)**	(2,381,645)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income		**18,533**	1,017
Repayments of investments		**8,359**	–
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets		**(18,892)**	(20,202)
Acquisition of a subsidiary		**(9,398)**	–
Increase in time deposits		**(88,770)**	(440,500)
Net cash flows used in investing activities		**(90,168)**	(459,685)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	**2017 RMB'000**	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in amounts due to related parties		**1,500,000**	1,500,000
Decrease in amounts due to related parties		**–**	(500,000)
Cash received from borrowings		**14,413,703**	13,543,824
Repayments of borrowings		**(8,554,315)**	(11,276,673)
Interest paid		**(1,197,735)**	(837,256)
Cash paid for restricted deposits		**(9,568,173)**	(143,987)
Repayment of restricted deposits		**9,384,973**	77,786
Dividends paid		**(254,448)**	(188,483)
Net cash flows from financing activities		**5,724,005**	2,175,211
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**561,686**	(666,119)
Cash and cash equivalents at beginning of year		**1,272,458**	1,865,670
Effect of exchange rate changes on cash and cash equivalents		**(84,260)**	72,907
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,749,884**	1,272,458
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,831,990**	1,469,377
Less: Restricted deposits		**(82,106)**	(196,919)
Cash and cash equivalents as stated in the statement of financial position	18	**1,749,884**	1,272,458
Cash and cash equivalents as stated in the statement of cash flows		**1,749,884**	1,272,458

1. CORPORATE AND GROUP INFORMATION

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
中國環球租賃有限公司* (China Universal Leasing Co., Ltd.)	PRC/Mainland China	US$818,887,616	100.00	–	Finance lease
Universal Number One Co., Ltd.	Cayman Islands	US$1	100.00	–	Provision of financing
環球國際融資租賃(天津)有限公司** (Universal International Financial Leasing (Tianjin) Co., Ltd.)	PRC/Mainland China	US$150,000,000	25.00	75.00	Finance lease
環醫益和醫療技術服務(天津)有限公司*** (Universal Medical HarmoCare Technology Service (Tianjin) Co., Ltd.)	PRC/Mainland China	RMB18,000,000	–	100.00	Medical technology services
融慧濟民醫院投資管理(天津)有限公司*** (Wiseman Hospital Investment Management (Tianjin) Co., Ltd.)	PRC/Mainland China	RMB300,000,000	–	100.00	Hospital management services
惠民華康醫療信息技術(天津)有限公司*** (Sinosound Healthcare Technology (Tianjin) Co., Ltd.)	PRC/Mainland China	RMB30,000,000	–	60.00#	Hospital digitalisation services
西安融慧醫院建設管理有限公司*** (Xi'an Ronghui Hospital Construction Management Co., Ltd.)	PRC/Mainland China	RMB400,000,000	–	100.00	Hospital construction and management services
西安萬恒醫療科技發展有限公司 (Xi'an Wanheng Medical Technology Development Co., Ltd.)	PRC/Mainland China	RMB35,000,000	–	80.00	Property management
陝西華虹醫藥有限公司(Shanxi Huahong Medical Company Limited)	PRC/Mainland China	RMB100,000,000	–	97.50	Sale of medical related goods

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

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

*** Registered as limited liability companies under PRC law

There was no equity interest as at 31 December 2017 held by non-controlling interests and no profit or loss for the year allocated to non-controlling interests as the subsidiary has not started its business and its shareholders have not paid any share capital as at 31 December 2017.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including a structure entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee. The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

Going-concern assumption

As of 31 December 2017, the Group had net current liabilities amounting to RMB233,283,000. When preparing the financial statements, the Group's management concluded that the adoption of the going concern basis of accounting was appropriate after analysing the forecasted cash flows for the twelve months from 31 December 2017 which indicates that the Group will have sufficient liquidity during the next twelve months from cash inflows generated from operations and existing credit facilities. To mitigate any liquidity issues that might be faced by the Group, the Group may curtail and defer its expansion of financial leasing business based on the availability of sufficient funds. Accordingly, the Group will have the financial resources to settle borrowings and liabilities in the next twelve months, as and when they fall due.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no significant impact on the financial position or performance of the Group.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale, so no additional information is required to be disclosed.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

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

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its receivables. The Group has determined that, due to the unsecured nature of its trade and other receivables, the provision for impairment will increase by RMB20,722,000 with a corresponding related increase in net deferred tax assets of RMB5,181,000 upon the initial adoption of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material.

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

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 28 (b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB58,617,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

Category	Annual depreciation rate
Transportation equipment	9.50%~19.00%
Office equipment	19.00%
Electronic equipment	19.00%
Medical equipment	10.00%~20.00%
Leasehold improvements	20.00%
Others	9.50%~19.00%

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

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

Intangible assets (other than goodwill)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

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

Derecognition of financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments (continued)

Current versus non-current classification

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

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

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

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

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

Government grants

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension obligations

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

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

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

Dividends

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Classification between finance leases and operating leases

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

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

Provision for bad and doubtful receivables

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value of financial instruments

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

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2017 RMB'000	2016 RMB'000
Revenue		
Finance lease income	**2,468,362**	1,952,243
Service fee income	**843,756**	728,919
Operating lease income	**16,712**	20,923
Sale of goods	**107,305**	13,214
Others	**257**	2,827
Taxes and surcharges	**(17,563)**	(17,210)
	3,418,829	2,700,916
Other income and gains		
Interest income	**18,253**	7,505
Foreign exchange gains	**152**	–
Derivative financial instruments – transaction not qualifying as a hedge:		
– Unrealised fair value loss, net	**–**	7,799
Government grants (note 5a)	**23,393**	12,179
Interest income from available-for-sale investments	**16,095**	1,017
Investment income from derivative instruments	**2,438**	–
Others	**479**	116
	60,810	28,616

5a. GOVERNMENT GRANTS

	2017 RMB'000	2016 RMB'000
Government special subsidies	**23,393**	12,179

6. PROFIT BEFORE TAX

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

	Note	2017 RMB'000	2016 RMB'000
Cost of borrowings included in cost of sales		**1,130,294**	940,155
Cost of inventories sold		**94,124**	6,911
Cost of operating leases		**20,222**	18,904
Depreciation		**7,268**	3,367
Amortisation of intangible assets		**427**	38
Rental expenses		**27,064**	23,460
Auditor's remuneration		**2,840**	2,799
Employee benefit expense (including directors' remuneration (note 7)):			
– Wages and salaries		**299,428**	242,213
– Equity-settled share-based compensation expense	26	**–**	9,364
– Pension scheme contributions		**32,243**	25,266
– Other employee benefits		**43,099**	32,251
		374,770	309,094
Impairment of loans and accounts receivables	16c	**113,667**	116,068
Foreign exchange loss/(gain)		**(152)**	858
Derivative financial instruments – transactions not qualifying as hedges:			
– Unrealised fair value losses/(gains), net		**19,399**	(7,799)
– Realised fair value (gains)/losses, net		**(2,438)**	609

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2017	2016
	RMB'000	RMB'000
Fees	**724**	706
Other emoluments:		
Salaries, allowances and benefits in kind	**3,252**	3,088
Performance related bonuses*	**3,747**	2,996
Pension scheme contributions	**513**	462
	7,512	6,546
	8,236	7,252

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

During the year ended 31 December 2014, certain executive directors were granted restricted shares ("Restricted Shares") by the shareholders CITIC Capital Leasing Ltd. ("CITIC Capital") and Jublon Capital Limited ("Jublon") of the Company, in respect of their services to the Group, further details of which are set out in note 26 to the financial statements. The compensation expense for the Restricted Shares granted, which is equal to the difference between the fair value of the shares at the grant date and considerations paid by the executive directors, should be recognised in the statement of profit or loss over the vesting period. The Group recognized RMB5,618,000 for the compensation expense for 2016. For 2017, the Group did not recognize any compensation expense.

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

(a) Independent non-executive directors

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

	2017 RMB'000	2016 RMB'000
Mr. Lim Yean Leng (i)	–	38
Mr. Li Yinquan	**181**	182
Mr. Chow Siu Lui	**181**	182
Mr. Kong Wei	**181**	182
Mr. Han Demi(ii)	**181**	122
	724	706

Notes:

(i) Resigned on 29 February 2016

(ii) Appointed on 13 April 2016

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2017					
Executive directors:					
Mr. Guo Weiping (i)	–	**1,710**	**1,971**	**271**	**3,952**
Ms. Peng Jiahong	–	**1,542**	**1,776**	**242**	**3,560**
Non-executive directors:					
Mr. Zhang Yichen	–	–	–	–	–
Mr. Jiang Xin (ii)	–	–	–	–	–
Mr. Liu Xiaoping	–	–	–	–	–
Mr. Liu Zhiyong	–	–	–	–	–
Mr. Su Guang	–	–	–	–	–
Mr. Zeng Yu (iv)	–	–	–	–	–
	–	**3,252**	**3,747**	**513**	**7,512**

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

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

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

Notes:

(i) Chief executive officer

(ii) Resigned on 1 March 2018

(iii) Resigned on 13 April 2016

(iv) Resigned on 4 May 2017

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2016: Nil).

With effect from 1 March 2018, Mr. Luo Xiaofang was appointed as non-executive Director.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director and the chief executive (2016: one director and the chief executive), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2016: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**2,337**	1,966
Performance related bonuses	**24,265**	23,496
Pension scheme contributions	**1,204**	681
	27,806	26,143

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

	Number of employees	
	2017	2016
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$6,000,000	**1**	–
HK$6,000,001 to HK$7,000,000	**1**	–
HK$21,000,001 to HK$21,500,000	**1**	1
	3	3

During the year ended 31 December 2014, certain Restricted Shares were granted to one (2016: one) non-director and non-chief executive highest paid employees of the year in respect of their services to the Group, further details of which are included in the disclosures in note 26 to the financial statements. The compensation expense for the Restricted Shares granted, which is equal to the difference between the fair value of the shares at the grant date and the consideration paid by these employees of the shares, should be recognised in the statement of profit or loss over the vesting period. The Group recognized RMB312,000 for the compensation expense for 2016. For 2017, the Group did not recognize any compensation expense.

9. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current – Hong Kong		
Underprovision in prior years	**–**	–
Current – Mainland China		
Charge for the year	**540,334**	358,722
(Overprovision)/underprovision in prior years	**(2,282)**	6,680
Deferred tax	**(110,270)**	(31,767)
Total tax charge for the year	**427,782**	333,635

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year (2016: 16.5%).

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

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

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

	2017 RMB'000	2016 RMB'000
Profit before tax	**1,576,461**	1,205,945
At the PRC statutory income tax rate of 25%	**394,115**	301,486
Expenses not deductible for tax purposes	**4,022**	5,781
Income not subject to tax	**(849)**	(76)
Adjustment on current income tax in respect of prior years	**(2,282)**	6,680
Unrecognised tax losses	**10,976**	5,264
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**21,800**	14,500
Income tax expense as reported in the consolidated statement of profit or loss	**427,782**	333,635

10. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Proposed final dividend – HK$0.24 (2016: HK$0.17) per ordinary share	**344,597**	260,993

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

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

	2017 RMB'000	2016 RMB'000
Profit attributable to ordinary equity holders of the parent	**1,148,658**	872,310

	2017 RMB'000	2016 RMB'000
Weighted average number of ordinary shares in issue	**1,716,304,580**	1,716,304,580

	2017 RMB'000	2016 RMB'000
Basic and diluted earnings per share	**0.67**	0.51

Diluted earnings per share for the years ended 31 December 2017 and 2016 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding.

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2017

	Transportation equipment RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Medical equipment RMB'000	Leasehold improvements RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017:							
Cost	3,190	2,442	8,745	157,368	12,772	2,189	186,706
Accumulated depreciation	(1,695)	(806)	(4,082)	(79,322)	(1,528)	(710)	(88,143)
Net carrying amount	1,495	1,636	4,663	78,046	11,244	1,479	98,563
At 1 January 2017, net of accumulated depreciation	1,495	1,636	4,663	78,046	11,244	1,479	98,563
Additions	1,036	1,490	1,528	1,720	4,391	2,401	12,566
Cost of subsidiary acquisition	473	615	338	–	–	155	1,581
Depreciation provided during the year	(389)	(511)	(1,203)	(20,222)	(2,584)	(421)	(25,330)
Depreciation cost of subsidiary acquisition	(205)	(34)	(134)	–	–	(124)	(497)
At 31 December 2017, net of accumulated depreciation	2,410	3,196	5,192	59,544	13,051	3,490	86,883
At 31 December 2017:							
Cost	4,699	4,547	10,611	159,088	17,163	4,745	200,853
Accumulated depreciation	(2,289)	(1,351)	(5,419)	(99,544)	(4,112)	(1,255)	(113,970)
Net carrying amount	2,410	3,196	5,192	59,544	13,051	3,490	86,883

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2016

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

13. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	RMB'000	RMB'000
Asset-backed securities	**43,961**	64,916

As at 31 December 2017, the Group invested in asset-backed securities which were issued by special purpose trusts. Details of the asset-backed securities are disclosed in note 31 to the financial statements.

14. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

		2017	2016
		RMB'000	RMB'000
Interest rate swaps	(1)	**5,273**	7,828
Foreign Exchange rate swaps	(2)	**(16,844)**	–

(1) As at 31 December 2017, the Group's borrowings with floating interest rates determined with reference to the London Interbank Offered Rate ("LIBOR") and measured at amortised cost amounted to US$50,000,000 (2016: US$120,000,000). To manage the interest rate exposure arising from these borrowings, the Group accordingly entered into interest rate swap contracts with certain banks in Hong Kong/Mainland China. As at 31 December 2017, the total nominal amount of interest rate swap contracts was US$120,000,000 (2016: US$120,000,000). A loss on fair value of the financial derivatives amounting to RMB2,555,000 (2016: a gain of RMB7,799,000) was debited to the statement of profit or loss during the year ended 31 December 2017.

(2) As at 31 December 2017, some of the Group's bank loans are denominated in USD and HKD, amounting to USD263,750,000 and HKD1,842,750,000 respectively (2016: nil). To manage the foreign exchange rate exposure arising from these bank loans, the Company entered into foreign exchange rate swap contracts with certain banks in Hong Kong/Mainland China. As at 31 December 2017, the total nominal amount of foreign exchange rate swap contracts was US$480,000,000 (2016: nil). The fair value of these foreign exchange rate swaps is RMB16,844,000, and a loss on unrealized fair value of the financial derivatives amounting to RMB16,844,000 was debited to the statement of profit or loss during the year ended 31 December 2017.

15. INVENTORIES

	2017 RMB'000	2016 RMB'000
Medical goods	**21,045**	2,054

16. LOANS AND ACCOUNTS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Loans and accounts receivables due within 1 year	**9,184,775**	7,005,683
Loans and accounts receivables due after 1 year	**25,385,314**	19,754,852
	34,570,089	26,760,535

16a. Loans and accounts receivables by nature

	2017 RMB'000	2016 RMB'000
Gross lease receivables (note 16b)*	**41,226,465**	32,399,289
Less: Unearned finance income	**(6,205,173)**	(5,239,148)
Net lease receivables (note 16b)*	**35,021,292**	27,160,141
Accounts receivable (note 16d)*	**67,752**	2,205
Notes receivable (note 16e)*	**–**	2,777
Subtotal of loans and accounts receivables	**35,089,044**	27,165,123
Less:		
Provision for accounts receivables (note 16c)	**(558)**	–
Provision for lease receivables (note 16c)	**(518,397)**	(404,588)
	34,570,089	26,760,535

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

16. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Gross lease receivables		
Within 1 year	**19,456,422**	17,344,561
1 to 2 years	**13,664,716**	9,687,212
2 to 3 years	**5,834,517**	3,048,569
3 years and beyond	**2,270,810**	2,318,947
	41,226,465	32,399,289

	2017 RMB'000	2016 RMB'000
Net lease receivables		
Within 1 year	**16,229,377**	14,266,243
1 to 2 years	**11,654,265**	8,115,744
2 to 3 years	**5,084,218**	2,695,715
3 years and beyond	**2,053,432**	2,082,439
	35,021,292	27,160,141

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

	2017 RMB'000	2016 RMB'000
Gross lease receivables:		
Due within 1 year	**11,566,541**	9,071,695
Due in 1 to 2 years	**10,597,208**	8,134,150
Due in 2 to 3 years	**9,227,610**	6,989,085
Due after 3 years and beyond	**9,835,106**	8,204,359
	41,226,465	32,399,289

16. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Net lease receivables:		
Due within 1 year	**9,304,757**	7,158,746
Due in 1 to 2 years	**8,696,021**	6,561,621
Due in 2 to 3 years	**8,024,276**	5,956,812
Due after 3 years and beyond	**8,996,238**	7,482,962
	35,021,292	27,160,141

16c. Change in Provision for Lease Receivables and Accounts Receivables

Provision for lease receivables

	Individually assessed		Collectively assessed		Total	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
At beginning of year	**88,557**	64,383	**316,031**	224,137	**404,588**	288,520
Charge for the year	**10,409**	24,174	**103,400**	91,894	**113,809**	116,068
At end of year	**98,966**	88,557	**419,431**	316,031	**518,397**	404,588

As at 31 December 2017, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB4,080,017,000 and RMB3,554,938,000 (2016: RMB4,735,186,000 and RMB4,209,364,000), respectively (see note 21).

Provision for accounts receivables

	At beginning of year	Acquisitions of a subsidiary	Provision	Reverse	Other decrease	At end of year
2017	–	700	–	(142)	–	558

16. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**63,818**	–
More than 1 year	**3,934**	2,205
	67,752	2,205

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

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

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**–**	2,777

16f. Balances with Related Parties

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

Gross lease receivables:

Name	**2017** **RMB'000**	2016 RMB'000
Harbin Measuring & Cutting Tool Group Co., Ltd.	**–**	3,275
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.	**–**	1,260

16. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

16f. Balances with Related Parties (continued)

Net lease receivables:

Name		2017 RMB'000	2016 RMB'000
Harbin Measuring & Cutting Tool Group Co., Ltd.	(i)	–	3,249
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.	(i)	–	1,249

Accounts receivable:

Name		2017 RMB'000	2016 RMB'000
China National Instruments Import & Export (Group) Corporation	(ii)	**1,805**	1,805

Notes receivable:

Name		2017 RMB'000	2016 RMB'000
Harbin Measuring & Cutting Tool Group Co., Ltd.	(ii)	–	1,279
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.	(ii)	–	1,498

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

(i) The balances of the net lease receivables bore interest at annual interest rates ranging from 4.75% to 6.01% (2016: 4.75% to 6.01%).

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

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	**2017** **RMB'000**	2016 RMB'000
Current:			
Prepayments		**10,020**	2,457
Other receivables		**20,658**	11,845
Lease deposit receivable due within one year		**–**	11,217
Other current assets		**1,310**	–
Due from a related party	17a	**2,138**	2,032
		34,126	27,551
Non-current:			
Prepayments for non-current assets		**111,111**	13,332
		111,111	13,332
		145,237	40,883

17a. Balances with Related Parties

Particulars of amounts due from related parties are as follows:

	2017 **RMB'000**	2016 RMB'000
Due from related parties:		
Genertec Finance Co., Ltd.	**–**	68
China National Instruments Import & Export (Group) Corporation	**38**	38
General Technology Group Property Management Ltd.	**994**	915
China National Corporation For Overseas Economic Cooperation	**112**	–
Genertec Italia s.r.l.	**743**	743
Paryocean Properties Co., Ltd.	**251**	268
	2,138	2,032

The above related parties are subsidiaries of Genertec Group.

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

18. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	**1,831,990**	1,469,377
Time deposits	**850,270**	463,487
	2,682,260	1,932,864
Less:		
Pledged deposits and restricted bank deposits related to asset-backed securitisations	**(403,106)**	(219,906)
Time deposits with original maturity of more than three months	**(529,270)**	(440,500)
Cash and cash equivalents	**1,749,884**	1,272,458

As at 31 December 2017, the cash and bank balances of the Group denominated in RMB amounted to RMB1,728,774,000 (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 31 December 2017, cash of RMB346,741,000 (2016: RMB147,217,000) was pledged or charged for bank borrowings (note 21).

As at 31 December 2017, cash of RMB56,365,000 (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 31. The cash collected by the Group from the associated finance lease contracts of the securitisation transactions have to be passed on to the investors of the asset-backed securities without material delay.

As at 31 December 2017, cash of RMB130,955,000 (2016: RMB406,716,000) was deposited with Genertec Finance Co., Ltd., a related party.

19. TRADE PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**264,574**	194,179
Due to related parties (note 19b)	**123**	154
	264,697	194,333

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

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

	2017 RMB'000	2016 RMB'000
Within 1 year	**246,141**	178,783
1 to 2 years	**7,708**	5,277
2 to 3 years	**2,199**	113
Over 3 years	**8,649**	10,160
	264,697	194,333

19b. Balances with Related Parties

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

	2017 RMB'000	2016 RMB'000
Trade payables:		
Genertec International Logistics Co., Ltd.	**39**	37
Genertec Italia s.r.l.	**84**	117
	123	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.

20. OTHER PAYABLES AND ACCRUALS

	Note	**2017 RMB'000**	2016 RMB'000
Current:			
Lease deposits due within 1 year		**230,498**	103,163
Accrued salaries		**128,912**	90,966
Welfare payables		**8,671**	4,454
Advances from customers		**7,261**	28,272
Due to related parties	20a	**47**	2,111
Other taxes payable		**24,672**	17,199
Interest payable		**133,386**	111,684
Other payables		**311,867**	268,333
		845,314	626,182
Non-current:			
Lease deposits due after 1 year		**1,880,570**	1,766,159
Accrued salaries		**259,251**	183,841
		2,139,821	1,950,000
		2,985,135	2,576,182

20a. Balances with Related Parties

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

	2017 RMB'000	2016 RMB'000
Genertec Finance Co., Ltd.	**47**	2,111
	47	2,111

The above related parties are subsidiaries of Genertec Group.

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

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – secured	**4.35~5.35**	**2018**	**314,401**	–	–	–
Bank loans – unsecured	**2.17~5.00**	**2018**	**2,734,863**	3.70~4.79	2017	1,404,500
Current portion of long-term bank loans						
– secured	**4.28~5.23**	**2018**	**731,818**	3.45~5.23	2017	1,233,412
– unsecured	**4.29~4.99**	**2018**	**1,972,736**	3.64~4.99	2017	909,135
Current portion of long-term other loans						
– secured	**–**	**–**	**–**	4.99	2017	1,400
– unsecured	**5.00**	**2018**	**600,000**	4.80	2017	100,000
Finance lease payables						
– secured (note 23)	**4.75~4.83**	**2018**	**99,694**	4.75~5.56	2017	201,529
Bonds payable						
– secured (note 21 (a))	**5.20**	**2018**	**218,910**	6.22~6.38	2017	1,586,530
– unsecured	**4.69~4.90**	**2018**	**2,291,130**	3.26~3.34	2017	848,397
Due to a related party						
– unsecured	**4.35~4.75**	**2018**	**2,000,000**	–	–	–
			10,963,552			6,284,903
Non-current:						
Bank loans						
– secured	**4.28~5.23**	**2019~2022**	**663,921**	4.28~5.23	2018~2020	852,212
– unsecured	**2.70~5.23**	**2019~2020**	**8,367,632**	3.64~4.99	2018~2019	4,648,087
Other loans						
– unsecured	**5.00**	**2019**	**900,000**	5.00	2019	1,500,000
Bonds payable						
– secured (note 21 (a))	**5.50~6.43**	**2020**	**546,169**	5.20~6.43	2018~2020	764,374
– unsecured	**3.13~4.08**	**2019~2021**	**3,045,939**	3.13~4.69	2018~2021	3,935,883
Finance lease payables						
– secured (note 23)	**4.75~4.83**	**2020**	**1,395,482**	–	–	–
Due to a related party						
– unsecured	**4.75**	**2019**	**1,000,000**	4.75	2018~2019	1,500,000
			15,919,143			13,200,556
			26,882,695			19,485,459

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

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**5,753,818**	3,547,047
In the second year	**3,268,298**	2,912,091
In the third to fifth years, inclusive	**5,763,255**	2,588,208
	14,785,371	9,047,346
Analysed into:		
Other borrowings repayable:		
Within one year	**5,209,734**	2,737,856
In the second year	**2,441,980**	2,212,425
In the third to fifth years, inclusive	**4,445,610**	5,487,832
	12,097,324	10,438,113
	26,882,695	19,485,459

Notes:

(a) 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 31 December 2017, the amortised cost of the debt securities issued amounted to RMB765,079,000 (2016: RMB764,374,000).

(b) As at 31 December 2017, the Group's bank and other borrowings secured by lease receivables, cash and bank balances and time deposits were RMB3,970,395,000 (2016: RMB4,639,457,000); the Group's gross lease receivables and net lease receivables pledged or charged as security for the Group's bank and other borrowings were RMB4,080,017,000 and 3,554,938,000, respectively (2016: RMB4,735,186,000 and RMB4,209,364,000); the Group's bank and other borrowings secured by cash and bank balances and time deposits amounted to RMB1,001,045,000 (2016: RMB3,468,554,000).

(c) As at 31 December 2017, the balance due to a related party was due to Genertec Finance Co., Ltd. (2016: Genertec Finance Co., Ltd.).

22. DEFERRED TAX

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

Deferred tax assets

	Allowances for impairment losses RMB'000	Salary and welfare payable RMB'000	Accrued expenses RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2017	**32,818**	**45,931**	**–**	**78,749**
Credited to the statement of profit or loss during the year	**88,953**	**23,583**	**–**	**112,536**
Gross deferred tax assets at 31 December 2017	**121,771**	**69,514**	**–**	**191,285**
Gross deferred tax assets at 1 January 2016	18,679	25,775	425	44,879
Credited to the statement of profit or loss during the year	14,139	20,156	(425)	33,870
Gross deferred tax assets at 31 December 2016	32,818	45,931	–	78,749

Deferred tax liabilities

	Lease deposits RMB'000	Fair value gain on derivative financial instruments RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2017	23,248	1,957	25,205
Charged to the statement of profit or loss during the year	2,843	(639)	2,204
Gross deferred tax liabilities at 31 December 2017	26,091	1,318	27,409
Gross deferred tax liabilities at 1 January 2016	23,095	7	23,102
Charged to the statement of profit or loss during the year	153	1,950	2,103
Gross deferred tax liabilities at 31 December 2016	23,248	1,957	25,205

22. DEFERRED TAX (CONTINUED)

For the purpose of presentation of the consolidated statement of financial position, deferred tax assets and liabilities have been offset as the deferred taxes relate to the same taxable entity and the same taxation authority, and net deferred tax assets are presented as follows:

	2017 **RMB'000**	2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**163,876**	53,544

The Company has tax losses arising in Hong Kong of RMB61,337,000 (2016: RMB29,871,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the funds will be retained to expand the operations in Mainland China and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB2,404,347,000 (2016: RMB1,778,077,000).

23. FINANCE LEASE PAYABLES

The Group, as a lessee, engaged in sale and leaseback transactions with certain finance leasing companies for financing purposes. These leases are classified as finance leases and have remaining lease terms ranging from three to five years. The equipment selected for the sale and leaseback transactions had been under finance leases pursuant to the finance lease contracts in which the Group was a lessor.

As at 31 December 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	2017		2016	
	Minimum lease payments RMB'000	**Present value of minimum lease payments RMB'000**	Minimum lease payments RMB'000	Present value of minimum lease payments RMB'000
Amounts payable:				
Within one year	**169,146**	**99,694**	206,965	201,529
In the second year	**745,941**	**696,437**	–	–
In the third to fifth years, inclusive	**713,136**	**699,045**	–	–
Total minimum finance lease payments	**1,628,223**	**1,495,176**	206,965	201,529
Future finance charges	**(133,047)**		(5,436)	
Total net finance lease payables	**1,495,176**		201,529	
Portion classified as current liabilities (note 21)	**(99,694)**		(201,529)	
Non-current portion (note 21)	**1,395,482**		–	

24. SHARE CAPITAL

	2017 **RMB'000**	2016 RMB'000
Issued and fully paid:		
1,716,304,580 (2016: 1,716,304,580) ordinary shares	**4,327,842**	4,327,842

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Capital reserve

The capital reserve represents the share-based compensation reserve comprising the fair value of the shares awarded under the share transfer to the management of the Group (note 26) recognised in accordance with the accounting policy adopted for equity compensation benefits.

Statutory reserve

Pursuant to the relevant laws and regulations and the articles of association of the subsidiaries of the Company in Mainland China, if a subsidiary is registered as a Sino-foreign joint venture, it is required to, at the discretion of the board of directors, transfer a portion of their profits after taxation reported in their statutory financial statements prepared under the applicable PRC accounting standards to the statutory surplus reserve.

If a subsidiary is registered as a wholly-foreign-invested enterprise or a domestic limited liability company, it is required to appropriate 10% of each year's statutory net profits to the statutory surplus reserve according to the PRC accounting standards and regulations (after offsetting previous years' losses) to the statutory surplus reserve. The PRC subsidiary may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contributions to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors. The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to owners. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the PRC subsidiary. The statutory reserve can be transferred to paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of its registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with a functional currency other than RMB.

26. SHARE-BASED PAYMENTS

On 10 October 2014, arrangements were entered into for CITIC Capital and Jublon to transfer a total of 5,177,976 shares of the Company (3% of total shares issued as at 10 October 2014) to three BVI companies which are wholly owned by the chief executive officer, the chief financial officer and 11 management personnel of the Group respectively, for a consideration of US$1.14 per share. The consideration was below the fair value of the shares, which is determined by a professional valuer engaged by the Group, using the market approach, at US$2.18 per share as of 28 September 2014, the grant date.

The shares were transferred to these management personnel of the Group at an amount below the fair value as incentives for the management to participate in the growth and development of the Group and the preparation of the Company's initial public offering (the "IPO"). The shares transferred are subject to various conditions, including the successful IPO of the Company, the management personnel not being dismissed due to a serious breach of employee agreements, company's regulations or incompetence and they remain in service at the end of 12 months after the completion of the IPO.

In relation to the transferred shares that CITIC Capital and Jublon had indirectly transferred to the management personnel, the total amount of share-based payment expenses that will be amortised over the vesting period was RMB33,302,000, being the difference between the fair value of the shares at the grant date and the considerations paid by the management personnel. As of 31 December 2016, the Company had recognized all the expenses amounting to RMB33,302,000.

27. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 16, 18 and 21 to the financial statements.

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased its medical equipment (note 12 to financial statements) under operating lease arrangements, with lease terms of more than five years.

Under the lease contracts, all rentals that the Group receives are contingent rentals based on the monthly gross or net income generated by operating the medical equipment.

(b) As lessee

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

28. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) As lessee (continued)

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **RMB'000**	2016 RMB'000
Within one year	**32,685**	21,400
One to two years, inclusive	**11,931**	4,871
Two to three years, inclusive	**6,460**	3,255
More than three years	**7,541**	7,434
	58,617	36,960

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments and credit commitments at the end of the reporting period:

(a) Capital commitments

	2017 **RMB'000**	2016 RMB'000
Contracted, but not provided for	**2,377**	6,106

In addition to the capital commitments listed above, the Group entered into a Cooperation Agreement with First Affiliated Hospital of Xi'an Jiaotong University ("First Affiliated Hospital") on 30 August 2016, pursuant to which the Group has agreed to (i) establish a wholly owned project company (the "Project Company") to construct Xi'an Jiaotong University International Land Port Hospital ("International Land Port Hospital") for First Affiliated Hospital (the "Project Construction"), provide a total amount of no more than RMB2 billion in cash to fund the project and manage and operate International Land Port Hospital in a manner as agreed by both parties after the completion of the Project Construction; and (ii) through the Project Company, make a capital contribution of RMB28 million to establish a company with First Affiliated Hospital to provide services including procurement and logistics to International Land Port Hospital, First Affiliated Hospital and other third party hospitals.

In 2017, the Group has invested RMB62,881,000 to establish the Project Company Xi'an Ronghui Hospital Construction Management Co., Ltd., and invested RMB15,600,000 to establish the company Xi'an Wanheng Medical Technology Development Co., Ltd. to provide services including procurement and logistics to International Land Port Hospital, First Affiliated Hospital and other third party hospitals.

29. COMMITMENTS (CONTINUED)

(b) Credit commitments

	2017 RMB'000	2016 RMB'000
Credit commitments	**1,528,274**	1,316,461

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

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 16, 17, 18, 19, 20 and 21 to the financial statements, the Group had the following material transactions with related parties during the year.

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

Genertec Group was established in 1988 and is a wholly-state-owned company. Genertec Group's businesses principally cover five sectors, including equipment manufacturing, trade and engineering contracting, pharmaceutical industry, technical services and consultancy, as well as construction and real estate. Genertec Group is a major shareholder of the Company.

The companies under Genertec Group which had transactions with the Group during the year are subsidiaries of Genertec Group.

(i) Interest income from cash at banks:

	2017 RMB'000	2016 RMB'000
Genertec Finance Co., Ltd.	**4,336**	3,805

The interest was charged at rates ranging from 0.46% to 1.27% per annum.

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

	2017 RMB'000	2016 RMB'000
Genertec Italia s.r.l.	**1,628**	–

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

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with Genertec Group and companies under Genertec Group (continued)

(iii) Rental expenses:

	2017 RMB'000	2016 RMB'000
China General Technology (Group) Holding, Ltd.	**3,242**	3,358
General Technology Group Property Management Ltd.	**10,582**	10,721
China National Corporation For Overseas Economic Cooperation	**674**	–
Paryocean Properties Co., Ltd.	**629**	593

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

(iv) Interest expenses on borrowings:

	2017 RMB'000	2016 RMB'000
Genertec Finance Co., Ltd.	**75,365**	9,047

The interest expenses were charged at rates ranging from 4.35% to 4.75% per annum.

(v) Consulting service fees:

	2017 RMB'000	2016 RMB'000
China National Instruments Import & Export (Group) Corporation	**–**	585
China General Consulting & Investment Co., Ltd.	**–**	113
Genertec America, Inc	**–**	132
Euromapex Import & Export GMBH	**238**	–
Genertec (Beijing) Investment Fund Management Co., Ltd.	**1,887**	–

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

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with Genertec Group and companies under Genertec Group (continued)

(vi) Transportation expense:

	2017 **RMB'000**	2016 RMB'000
Genertec International Logistics Co., Ltd.	**153**	–

The transportation expense was charged based on prices mutually agreed between the parties.

(vii) Finance lease income:

	2017 **RMB'000**	2016 RMB'000
Harbin Measuring & Cutting Tool Group Co., Ltd.	**–**	267
Changsha Haliang Kaishuai Precision Machinery Co., Ltd.	**–**	103

The finance lease income was charged at rates ranging from 4.75% to 6.01% per annum.

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

(b) Significant transactions with other government-related entities

The largest shareholder of the Company is a state-owned enterprise. In accordance with HKAS 24 "Related Party Disclosures", government-related entities include entities that are directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government. On this basis, related parties include other government-related entities, in addition to Genertec Group and companies under Genertec Group.

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

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel:

	2017 RMB'000	2016 RMB'000
Short term employee benefits	**16,399**	11,940
Equity-settled share award arrangements	**–**	5,618

31. TRANSFERS OF FINANCIAL ASSETS

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by transferring lease receivables to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain part of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated lease receivables by evaluating the extent to which it retains the risks and rewards of the assets.

As at 31 December 2017, lease receivables with an original carrying amount of RMB543,513,000 (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 31 December 2017, the carrying amount of assets that the Group continued to recognise was RMB43,961,000 (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 RMB43,961,000 (2016: RMB64,916,000).

32. INTEREST IN THE UNCONSOLIDATED STRUCTURED ENTITY

The Group has interest in a structured entity arising from the securitisation transactions. The Group assessed and determined that the structured entity need not be consolidated as the Group has no control over it. As at 31 December 2016, the Group's interest in the unconsolidated structured entity, which was recognised as an available-for-sale investment, amounted to RMB20,955,000. As at 31 December 2016, the carrying amount of the associated liabilities, which represented the maximum amount of the cash flows the Group would forfeit under the subordination, amounting to RMB20,955,000 was recognised and included in other liabilities. As at 31 December 2017, the Goup does not have any interest in the unconsolidated structured entity, and no liabilities recorgnized for that. Neither the holders of preferential tranches nor the holders of subordinated tranches have contractual obligations for any financial support to the structured entity.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Financial assets

	2017 RMB'000	2016 RMB'000
Loans and receivables:		
Loans and accounts receivables	**34,570,089**	26,760,535
Financial assets included in prepayments, deposits and other receivables	**114,535**	14,079
Restricted deposits	**932,376**	660,406
Cash and cash equivalents	**1,749,884**	1,272,458
	37,366,884	28,707,478
Financial assets at fair value through profit or loss:		
Derivative financial assets	**5,273**	7,828
Available-for-sale financial assets:		
Available-for-sale investments	**43,961**	64,916
	37,416,118	28,780,222

Financial liabilities

	2017 RMB'000	2016 RMB'000
Financial liabilities at amortised cost:		
Trade payables	**264,697**	194,333
Financial liabilities included in other payables and accruals	**2,547,015**	2,251,451
Trading financial liabilities	**16,844**	–
Interest-bearing bank and other borrowings	**26,882,695**	19,485,459
	29,711,251	21,931,243

34. 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 receivables, financial assets included in deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank and borrowings.

Cash and bank balances, restricted deposits, accounts receivable, notes receivable, current portion of financial assets included in deposits and other receivables, trade payables, short-term borrowings and current portion of financial liabilities included in other payables and accruals

Substantially all of the financial assets and liabilities mature within one year from the end of each reporting period and their carrying values approximate to their fair values.

Lease receivables and interest-bearing bank and other borrowings excluding bonds issued and short-term borrowings

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

Bonds issued

The fair value of the bonds is calculated based on quoted market prices or a discounted cash flow model that is used based on a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued which are included in interest-bearing bank and other borrowings not presented at fair value on the statement of financial position as at 31 December 2017.

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bonds issued	**6,102,148**	7,135,184	**5,916,870**	7,074,561

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

Financial instruments not measured at fair value (continued)

Non-current portion of financial assets included in deposits and other receivables and non-current portion of financial liabilities included in other payables and accruals

The fair values of the non-current portion of financial assets included in deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and fair values of those financial assets and liabilities are not significant.

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.

Foreign exchange rate swap contracts

The Group enters into several derivative financial instrument contracts with two counterparties, both are foreign exchange 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.

Asset-backed securities

The fair value of the asset-backed securities recognised as available-for-sale investments is measured using a discounted cash flow analysis that calculates the fair value based on valuation inputs such as default rate, loss given default, prepayment rate and yield of the securities’ underlying assets. These inputs require an assessment of the securities’ underlying assets.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

The fair value of the available-for-sale investments is based on unobservable inputs including default rate, loss given default, prepayment rate and yield. As at 31 December 2017, fair value changes resulting from changes in the unobservable inputs were not significant.

Assets and liabilities measured at fair value:

As at 31 December 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Interest rate swap contracts	–	5,273	–	5,273
Available-for-sale investments				
– Asset-backed securities	–	–	43,961	43,961
Derivative financial liabilities				
– Foreign exchange rate swap Contracts	–	16,844	–	16,844

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

Fair value hierarchy (continued)

Assets and liabilities measured at fair value: (continued)

As at 31 December 2016

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

Liabilities for which fair values are disclosed:

As at 31 December 2017

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Bonds issued	5,201,287	715,583	–	5,916,870

As at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	6,293,764	780,797	–	7,074,561

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

Interest rate risk

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

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

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, to the Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

	Increase/(decrease) in profit before tax As at 31 December	
	2017	2016
	RMB'000	RMB'000
Change in basis points		
+ 100 basis points	**45,722**	105,799
– 100 basis points	**(45,722)**	(105,799)

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities move by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's assets and liabilities:

	As at 31 December 2017					
	Non-interest-bearing RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	67,194	15,129,450	10,413,516	8,793,459	166,470	34,570,089
Financial assets included in prepayments, deposits and other receivables	727	113,808	–	–	–	114,535
Restricted deposits	–	611,376	321,000	–	–	932,376
Available-for-sale investments	–	–	–	43,961	–	43,961
Derivative financial assets	–	5,273	–	–	–	5,273
Cash and cash equivalents	34,907	1,714,977	–	–	–	1,749,884
Total financial assets	102,828	17,574,884	10,734,516	8,837,420	166,470	37,416,118
FINANCIAL LIABILITIES:						
Trade payables	264,697	–	–	–	–	264,697
Financial liabilities included in other payables and accruals	452,709	33,644	178,430	1,869,619	12,613	2,547,015
Derivative financial liabilities	16,844	–	–	–	–	16,844
Interest-bearing bank and other borrowings	587,212	13,429,786	6,476,600	6,389,097	–	26,882,695
Total financial liabilities	1,321,462	13,463,430	6,655,030	8,258,716	12,613	29,711,251
Interest rate risk exposure	(1,218,634)	4,111,454	4,079,486	578,704	153,857	7,704,867

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

	As at 31 December 2016					
	Non-interest–bearing RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	4,982	15,789,508	6,233,012	4,713,446	19,587	26,760,535
Financial assets included in prepayments, deposits and other receivables	14,079	–	–	–	–	14,079
Restricted deposits	–	219,906	440,500	–	–	660,406
Available-for-sale investments	–	–	–	64,916	–	64,916
Derivative financial assets	–	7,828	–	–	–	7,828
Cash and cash equivalents	12	1,272,446	–	–	–	1,272,458
Total financial assets	19,073	17,289,688	6,673,512	4,778,362	19,587	28,780,222
FINANCIAL LIABILITIES:						
Trade payables	194,333	–	–	–	–	194,333
Financial liabilities included in other payables and accruals	392,820	5,797	86,638	1,765,511	685	2,251,451
Interest-bearing bank and other borrowings	–	6,597,956	6,022,710	6,864,793	–	19,485,459
Total financial liabilities	587,153	6,603,753	6,109,348	8,630,304	685	21,931,243
Interest rate risk exposure	(568,080)	10,685,935	564,164	(3,851,942)	18,902	6,848,979

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency).

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US$, and to a lesser extent, other currencies. The Group's exposure to treasury operations mainly arises from its transactions in currencies other than RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

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

The table below indicates a sensitivity analysis of the exchange rate change of the currency to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period kept unchanged and, therefore, it have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

Currency		**Change in foreign exchange rate**	**Increase/(decrease) in profit before tax As at 31 December**	
			2017	2016
		%	**RMB'000**	RMB'000
US$/HK$	If RMB strengthens against US$/HK$	(1)	**29,997**	(493)
	If RMB weakens against US$/HK$	1	**(29,997)**	493

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows:

	As at 31 December 2017				
(In RMB'000 equivalent)	RMB	US$	HK$	Others	Total
FINANCIAL ASSETS:					
Loans and accounts receivables	34,570,089	–	–	–	34,570,089
Financial assets included in prepayments, deposits and other receivables	114,385	–	150	–	114,535
Restricted deposits	403,106	529,270	–	–	932,376
Available-for-sale investments	43,961	–	–	–	43,961
Derivative financial assets	–	5,273	–	–	5,273
Cash and cash equivalents	1,325,668	372,251	46,608	5,357	1,749,884
Total financial assets	36,457,209	906,794	46,758	5,357	37,416,118
FINANCIAL LIABILITIES:					
Trade payables	264,605	–	–	92	264,697
Financial liabilities included in other payables and accruals	2,543,346	2,071	1,598	–	2,547,015
Derivative financial liabilities	–	16,844	–	–	16,844
Interest-bearing bank and other borrowings	22,949,964	2,414,831	1,517,900	–	26,882,695
Total financial liabilities	25,757,915	2,433,746	1,519,498	92	29,711,251
Net position	10,699,294	(1,526,952)	(1,472,740)	5,265	7,704,867

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (continued)

	As at 31 December 2016				
(In RMB'000 equivalent)	RMB	US$	HK$	Others	Total
FINANCIAL ASSETS:					
Loans and accounts receivables	26,760,535	–	–	–	26,760,535
Financial assets included in prepayments, deposits and other receivables	13,918	–	161	–	14,079
Restricted deposits	219,906	440,500	–	–	660,406
Available-for-sale investments	64,916	–	–	–	64,916
Derivative financial assets	–	7,828	–	–	7,828
Cash and cash equivalents	633,705	608,733	23,156	6,864	1,272,458
Total financial assets	27,692,980	1,057,061	23,317	6,864	28,780,222
FINANCIAL LIABILITIES:					
Trade payables	194,185	–	–	148	194,333
Financial liabilities included in other payables and accruals	2,250,210	1,240	1	–	2,251,451
Interest-bearing bank and other borrowings	18,455,632	1,029,827	–	–	19,485,459
Total financial liabilities	20,900,027	1,031,067	1	148	21,931,243
Net position	6,792,953	25,994	23,316	6,716	6,848,979

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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, derivative financial assets, available-for-sale investments and financial assets included in deposits and other receivables. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

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

	As at 31 December 2017		As at 31 December 2016	
	RMB'000	**%**	RMB'000	%
Net lease receivables				
Healthcare	**24,545,511**	**70**	19,449,931	71
Education	**7,660,015**	**22**	6,455,597	24
Others	**2,815,766**	**8**	1,254,613	5
	35,021,292	**100**	27,160,141	100
Less: Impairment provision for lease receivables	**518,397**		404,588	
Net	**34,502,895**		26,755,553	

As the customers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group.

The quantitative data of exposure to credit risk arising from available-for-sale investments, derivative financial assets, loans and accounts receivables, deposits and other receivables, and credit commitments are set out in notes 13, 14, 16, 17 and 29, respectively.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The analysis of financial assets which are neither past due nor impaired is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Net lease receivables	**34,737,651**	26,936,292
Accounts receivable	**67,194**	2,205
Notes receivable	**–**	2,777
Deposits and other receivables	**114,535**	14,079
Available-for-sale investments	**43,961**	64,916
Derivative financial assets	**5,273**	7,828

As 31 December 2017, the assets which are past due but are not considered impaired amounted to RMB10,686,000 (2016: RMB3,784,000), the aging analysis of which is as follows:

2017

	Less than 90 days RMB'000	**90 days to 1 year RMB'000**	**1 year to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Net lease receivables	**1,938**	**–**	**8,748**	**–**	**10,686**

2016

	Less than 90 days RMB'000	90 days to 1 year RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Net lease receivables	3,784	–	–	–	3,784

When the rental for a period is past due by one day as at each reporting date, the whole lease receivable is classified as past due.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Lease receivables that were past due but not impaired related to a number of independent customers that have good track records with the Group. Based on past experience, the directors of the Company are of the opinion that these balances are not considered impaired as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Net lease receivables	**272,955**	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.

Liquidity risk

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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

	As at 31 December 2017					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	85,419	2,787,399	8,581,050	28,693,479	650,753	40,798,100
Financial assets included in prepayments, deposits and other receivables	–	111,147	173	3,215	–	114,535
Restricted deposits	–	621,433	326,597	–	–	948,030
Available-for-sale investments	–	–	–	43,961	–	43,961
Derivative financial assets	–	–	5,273	–	–	5,273
Cash and cash equivalents	1,749,884	–	–	–	–	1,749,884
Total financial assets	1,835,303	3,519,979	8,913,093	28,740,655	650,753	43,659,783
FINANCIAL LIABILITIES:						
Trade payables	82,057	149,101	13,944	19,595	–	264,697
Financial liabilities included in other payables and accruals	15,358	330,064	189,005	2,203,812	18,052	2,756,291
Derivative financial liabilities	–	16,844	–	–	–	16,844
Interest-bearing bank and other borrowings	–	1,824,066	10,390,525	26,613,380	–	38,827,971
Total financial liabilities	97,415	2,320,075	10,593,474	28,836,787	18,052	41,865,803
Net liquidity gap	1,737,888	1,199,904	(1,680,381)	(96,132)	632,701	1,793,980

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	As at 31 December 2016					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	92,916	2,005,430	6,834,951	22,803,882	298,433	32,035,612
Financial assets included in prepayments, deposits and other receivables	–	180	13,899	–	–	14,079
Restricted deposits	–	220,122	447,107	–	–	667,229
Available-for-sale investments	–	–	–	64,916	–	64,916
Derivative financial assets	–	–	7,828	–	–	7,828
Cash and cash equivalents	1,272,458	–	–	–	–	1,272,458
Total financial assets	1,365,374	2,225,732	7,303,785	22,868,798	298,433	34,062,122
FINANCIAL LIABILITIES:						
Trade payables	2,177	178,685	13,471	–	–	194,333
Financial liabilities included in other payables and accruals	82,968	201,785	90,753	2,100,284	1,000	2,476,790
Interest-bearing bank and other borrowings	–	2,438,855	4,586,343	14,204,857	–	21,230,055
Total financial liabilities	85,145	2,819,325	4,690,567	16,305,141	1,000	23,901,178
Net liquidity gap	1,280,229	(593,593)	2,613,218	6,563,657	297,433	10,160,944

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's credit commitments based on contractual undiscounted cash flows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Credit commitments:		
Less than 3 months	**343,110**	420,000
3 to 12 months	**1,185,164**	896,461
	1,528,274	1,316,461

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year.

The Group monitors capital risk using a gearing ratio, which is calculated as bank and other borrowings divided by total equity. The gearing ratios as at the reporting date which were within the Group's policy are as follows:

Group

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Bank and other borrowings	**26,882,695**	19,485,459
Total equity	**7,468,826**	6,574,391
Gearing ratio	**360%**	296%

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CULC and Universal International Financial Leasing (Tianjin) Co., Ltd. ("TJ-Leasing")

The primary objective of the capital management of CULC and TJ-Leasing, principal subsidiaries of the Group located in Mainland China, is to ensure that they comply with the regulatory requirements of the Ministry of Commerce of the PRC (the "MOFCOM") in addition to the general requirements that are relevant to the Group. In accordance with the "Administration of Foreign Investment in the Leasing Industry" promulgated by the MOFCOM on 3 February 2005 and other relevant laws and regulations, CULC and TJ-Leasing have set up appropriate business development and capital management programs and established a comprehensive evaluation system. They actively adjust the capital structure in light of changes in the market and the risks being confronted by adjusting their dividend policy or financing channels. During the year, there were no significant changes in the policies or processes for managing the capital of CULC and TJ-Leasing.

In accordance with the aforementioned requirements of the MOFCOM, CULC and TJ-Leasing should maintain its risky assets ("Risky Assets") within 10 times of its equity. Risky Assets shall be determined on the basis of the total assets less cash, bank deposits, government bonds and entrusted lease assets. The calculations of the ratios of the Risky Assets to equity as at each reporting date are as follows:

CULC

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total assets	**34,573,163**	27,283,326
Less: Cash and cash equivalents	**(1,220,480)**	(1,008,332)
Total Risky Assets	**33,352,683**	26,274,994
Equity	**7,540,546**	5,740,208
Ratio of Risky Assets to equity	**4.42**	4.58

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CULC and Universal International Financial Leasing (Tianjin) Co., Ltd. ("TJ-Leasing") (continued)

TJ-Leasing

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total assets	**7,217,345**	4,941,251
Less: Cash and cash equivalents	**(66,288)**	(141,102)
Total Risky Assets	**7,151,057**	4,800,149
Equity	**1,544,731**	1,207,769
Ratio of Risky Assets to equity	**4.63**	3.97

36. EVENTS AFTER THE REPORTING PERIOD

(a) On 2 February 2018, CULC issued the first tranche of the domestic super short-term financing bonds (the "2018 T1 Financing Bonds") with an aggregate principal amount of RMB500 million. The maturity of the 2018 T1 Financing Bonds will be 180 days from 5 February 2018, with a fixed interest rate of 5.35% per annum. The issue price is RMB100 per financing bond, which is equal to 100% of the principal value of the 2018 T1 Financing Bonds.

(b) On 21 March 2018, CULC issued the second tranche of the domestic super short-term financing bonds (the "2018 T2 Financing Bonds") with an aggregate principal amount of RMB500 million. The maturity of the 2018 T2 Financing Bonds will be 180 days from 22 March 2018, with a fixed interest rate of 5.3% per annum. The issue price is RMB100 per financing bond, which is equal to 100% of the principal value of the 2018 T2 Financing Bonds.

(c) On 26 March 2018, CULC issued the third tranche of the domestic super short-term financing bonds (the "2018 T3 Financing Bonds") with an aggregate principal amount of RMB500 million. The maturity of the 2018 T3 Financing Bonds will be 120 days from 27 March 2018, with a fixed interest rate of 5.14% per annum. The issue price is RMB100 per financing bond, which is equal to 100% of the principal value of the 2018 T3 Financing Bonds.

Except for the subsequent events as disclosed in Note 7, and the above subsequent event, there are no other significant subsequent events which require disclosure.

37. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**633**	–
Prepayments, deposits and other receivables	**1,845,241**	–
Investments in subsidiaries	**5,606,726**	4,290,826
Total non-current assets	**7,452,600**	4,290,826
CURRENT ASSETS		
Accounts receivable	**3,121**	–
Prepayments, deposits and other receivables	**18,076**	4,494
Dividend receivable from a subsidiary	**43,200**	275,500
Tax recoverable	**1,149**	1,149
Cash and cash equivalents	**446,859**	67,090
Total current assets	**512,405**	348,233
CURRENT LIABILITIES		
Trade payables	**92**	148
Other payables and accruals	**17,789**	14,648
Derivative financial liabilities	**16,844**	–
Total current liabilities	**34,725**	14,796
NET CURRENT ASSETS	**477,680**	333,437
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,930,280**	4,624,263
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**3,216,034**	–
Other payables and accruals	**6,003**	1,233
Net assets	**4,708,243**	4,623,030
EQUITY		
Share capital	**4,327,842**	4,327,842
Reserves (note)	**380,401**	295,188
Total equity	**4,708,243**	4,623,030

Guo Weiping
Director

Peng Jiahong
Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve and contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2017	**33,302**	**–**	**261,886**	**295,188**
Profit for the year	**–**	**–**	**339,661**	**339,661**
Dividends	**–**	**–**	**(254,448)**	**(254,448)**
At 31 December 2017	**33,302**	**–**	**347,099**	**380,401**
Balance at 1 January 2016	23,938	–	202,100	226,038
Profit for the year	–	–	248,269	248,269
Equity-settled share award arrangements	9,364	–	–	9,364
Dividends	–	–	(188,483)	(188,483)
At 31 December 2016	33,302	–	261,886	295,188

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2018.

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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