通用環球醫療集團有限公司

GENERTEC UNIVERSAL MEDICAL GROUP COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock code : 2666

Interim Report 2018

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Directors

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

Executive Directors

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

Non-executive Directors

Mr. Liu Zhiyong
Mr. Liu Xiaoping
Mr. Su Guang

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. Luo Xiaofang#
Mr. Han Demin
Mr. Jiang Xin*

* Resigned on 1 March 2018
\# Appointed on 1 March 2018

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

RISK CONTROL COMMITTEE

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

COMPANY SECRETARY

Ms. Cheng Pik Yuk

AUTHORISED REPRESENTATIVES

Ms. Peng Jiahong
Ms. Cheng Pik Yuk

REGISTERED OFFICE

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8 Cotton Tree Drive
Central
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
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183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Ernst & Young

LEGAL ADVISER

Wilson Sonsini Goodrich & Rosati

PRINCIPAL BANKERS

Bank of Communications, Beijing
Fuwai Sub-branch
Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.universalmsm.com

STOCK CODE

2666

"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 the Company
"CG Code"	the "Corporate Governance Code" contained in Appendix 14 to the Listing Rules
"Company" or "Universal Medical"	Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) (formerly known as 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), 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
"Cooperation Agreement"	an agreement entered into among the Company, Health and Family Planning Commission of Handan and Handan First Hospital on 9 August 2018 in relation to the establishment and operation of the New East District
"CVA"	cerebral vascular accident
"Director(s)"	the director(s) of the Company
"Evergreen"	Evergreen021 Co., Ltd, a company incorporated with limited liability under the laws of the British Virgin Islands on 14 August 2014
"First Affiliated Hospital"	First Affiliated Hospital of Xi'an Jiaotong University (西安交通大學第一附屬醫院)
"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 with limited liability under the laws of Hong Kong on 24 March 1994, 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
"Handan First Hospital"	Handan First Hospital (邯鄲市第一醫院), a leading comprehensive Grade III Class A hospital in Handan
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"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 established by First Affiliated Hospital
"ITCCL"	International Technological Cooperation Co., Ltd (國際技術合作有限公司), a company incorporated with limited liability under the laws of the British Virgin Islands on 14 August 2014
"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
"New East District"	the new east district of Handan First Hospital to be established pursuant to the Cooperation Agreement, which will be a new branch of Handan First Hospital
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China"	The People's Republic of China, for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus issued by the Company on 24 June 2015
"Remuneration Committee"	the remuneration committee of the Board
"Risk Control Committee"	the risk control committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	The State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"Securities Dealing Code"	the Company's own code of conduct regarding directors' and employees' dealings in the Company's securities
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"SOEs"	state-owned enterprises
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"USD"	United States dollars, the lawful currency of the United States

CORPORATE PROFILE

Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) and its subsidiaries are the leading medical and health conglomerate. Focusing on the fast-growing healthcare service industry in China and leveraging on our diversified healthcare resources platform and outstanding financial strength, we have been committed to building up hospitals' comprehensive strengths in terms of healthcare technology, service quality, operating efficiency as well as managerial capacity.

The largest shareholder of the Company is China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), which is one of the key state-owned enterprises under direct administration of the PRC central government with medical and healthcare as its main business.

Since the incorporation of the Company, leveraging on our considerable insights into healthcare industry, ample experience of serving hospitals over the years, strong financial position and proficient business sourcing capability, we have accumulated over a thousand hospital customers throughout China, established sound cooperation with hundreds of domestic and foreign well-known medical experts and academic leaders, and formed strategic partnerships with famous healthcare institutions in China and services providers in America and European countries, including those from the United Kingdom and Germany. Through our continuous expansion of healthcare resources, we have established a unique and innovative business model to provide customers with integrated healthcare solutions, comprising healthcare financial services, hospital investment and management services, healthcare technology services with clinical department upgrade as the core and healthcare digitalization services. We are headquartered in Hong Kong and have set up an operation center in Beijing. We have also established four subsidiaries in Tianjin Free Trade Zone successively and one subsidiary in Hengqin, Zhuhai, set up or acquired three subsidiaries in connection with the International Land Port Hospital of the First Affiliated Hospital of Xi'an Jiaotong University, and opened offices in central 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 strive to firmly seize good opportunities from the growing healthcare industry in China and continue to be committed to promoting the development of China's healthcare service industry. We will establish strategic alliances with a broad range of domestic and foreign leading professional healthcare institutions, well-known experts and international medical equipment suppliers, expand our healthcare resources platform, reinforce our foundation for development and enrich our professional services to fulfil our social responsibilities during our development and enhance our corporate value through continuous innovation.

PERFORMANCE OVERVIEW

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating Results		
Income *	**2,094,780**	1,653,892
Finance lease income *	**1,499,778**	1,190,330
Industry, equipment and financing advisory income *	**429,617**	352,034
Clinical department upgrade services income *	**108,292**	84,445
Hospital investment and management income *	**56,979**	24,881
Other business income *	**114**	2,202
Cost of sales	**(767,807)**	(574,295)
Interest expense	**(699,749)**	(536,503)
Cost of clinical department upgrade services	**(15,142)**	(15,106)
Cost of hospital investment and management	**(52,916)**	(22,686)
Profit before tax	**1,001,659**	799,908
Profit for the period	**733,253**	578,915
Basic and diluted earnings per share *(RMB)*	**0.43**	0.34
Profitability Indicators		
Return on total assets(1)	**3.64%**	3.81%
Return on equity(2)	**19.17%**	17.19%
Net interest margin(3)	**4.26%**	4.57%
Net interest spread(4)	**3.33%**	3.64%
Net profit margin(5)	**35.00%**	35.00%
Cost to income ratio(6)	**21.08%**	23.23%

* After taxes and surcharges.

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

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

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

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

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

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Assets and Liabilities		
Total assets	**42,948,674**	37,732,513
Net finance lease receivables	**40,733,243**	35,021,292
Total liabilities	**35,115,804**	30,263,687
Interest-bearing bank and other borrowings	**30,939,846**	26,882,695
Total equity	**7,832,870**	7,468,826
Net assets per share *(RMB)*	**4.56**	4.35
Financial Indicators		
Debt ratio(1)	**81.76%**	80.21%
Gearing ratio(2)	**3.95**	3.60
Current ratio(3)	**0.76**	0.98
Asset Quality		
Non-performing assets ratio(4)	**0.75%**	0.78%
Provision coverage ratio(5)	**183.01%**	189.92%
Write-off of non-performing assets ratio(6)	**0.00%**	0.00%
Overdue ratio (over 30 days)(7)	**0.41%**	0.44%

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

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

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

(4) Non-performing assets ratio = balance of non-performing assets/net interest-earning assets;

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW AND PROSPECTS

In the first half of 2018, the Group seized the policy opportunities of the medical industry, and it has been pursuing the goal of building itself into a leading medical and health conglomerate in China, and continuing to enrich and integrate its domestic and international medical resources. The Group also expanded its network of hospital clients, and continued to advance the synergetic development of its businesses such as hospital investment and management, medical finance, medical technology and healthcare digitalization services. As a result, the Group achieved a steady increase in its operating performance. For the six months ended 30 June 2018, the Group's revenue increased by 26.7% to RMB2,094.8 million; while the Group's profit before tax increased by 25.2% to RMB1,001.7 million as compared to the corresponding period of the previous year. In the same period, the Group achieved a steady growth in its asset size and maintained good asset quality. The corporate credit rating of China Universal Leasing Co., Ltd., a wholly-owned subsidiary of the Group, was successively uprated to AAA by China Cheng Xin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) and Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (上海新世紀資信投資服務有限公司), which further optimized the Group's overall financing position.

1.1 Hospital Investment and Management Business

In the first half of 2018, the Group fully utilized its resources advantages, actively seized the policy opportunities available and intensified its efforts to push forward with its hospital investment and management business. On the one hand, the Group steadily pushed ahead with the existing projects and potential cooperative projects. On the other hand, the Group seized the full opportunities of the reform of medical institutions of SOEs by way of spin-off to conduct merger and acquisition negotiations for take-over and integration of the medical institutions owned by SOEs.

Execution of the Contract for Cooperation on Construction of the New East District of Handan First Hospital

On 9 August 2018, the Group formally signed a contract with the Health and Family Planning Committee of Handan and Handan First Hospital for co-establishment of the New East District. Handan is an important portal city in southern Hebei province and occupies a central location within Shanxi, Hebei, Shandong and Henan provinces. Handan First Hospital is a large-scale comprehensive Grade III Class A hospital that integrates medical services, teaching, scientific research, disease prevention, health care and rehabilitation. Handan First Hospital plays a leading role in terms of its comprehensive medical strength in the whole city. The New East District planned will operate as a new branch of Handan First Hospital with 2,000 registered beds (to be built in phase I and II), and position as a comprehensive hospital with top specialized departments. In the future, the new branch will work with Handan First Hospital to provide medical services for approximately 25 million people in Shanxi, Hebei, Shandong and Henan provinces. Total investments for the project will be no more than RMB2 billion, of which the investments in phase I will be RMB1.4 billion and the investments in phase II will be RMB0.6 billion, provided that phase I meets the specific requirements under the contract. Universal Medical will obtain the following two rights in return:

(1) Construction and operation right. Universal Medical will set up a wholly-owned project company. The project company will exercise the construction and operation right, be responsible for construction of the New East District, participate in the management and operation of Handan First Hospital (including the New East District) and charge the construction and management fee. The construction and operation right bears a term of 30 years.

(2) Exclusive procurement right. Universal Medical will, through the project company, jointly set up a joint venture with Handan First Hospital, which will be fully responsible for providing medical supplies procurement service to Handan First Hospital (including the New East District). The exclusive procurement right bears a term of 30 years.

The Group's cooperation with Handan First Hospital is a combination of the two parties' strengths. The Group will, on the one hand, use its financial resources and integrated healthcare resources to provide funding, technology, talents and advanced operating and managing mechanisms to Handan First Hospital, and on the other hand, leverage the strengths of Handan First Hospital in medical treatment, education, scientific research and brand, to make Handan First Hospital a high-quality healthcare center in the four neighboring provinces including Shanxi, Hebei, Shandong and Henan, benefiting people's livelihood through its advanced medical technology and premium services.

Orderly Implementation of the International Land Port Hospital Project

The First Affiliated Hospital is a large-scale, comprehensive Grade III Class A hospital directly administered by the National Health Commission. Its medical technology and service quality give it a leading position in the Northwest China. International Land Port Hospital is a new branch of First Affiliated Hospital. The Group is investing no more than RMB2 billion in this project and obtained two rights in return: the construction and operation right of International Land Port Hospital, and the exclusive business cooperation right with International Land Port Hospital and First Affiliated Hospital (for more details, please see the Company's announcement dated 30 August 2016 and the circular dated 21 October 2016).

Up to now, progress on the construction project of International Land Port Hospital jointly undertaken by the Group and First Affiliated Hospital achieved further milestones. The Company has sorted out procurement options for First Affiliated Hospital, as well as the pharmaceutical delivery and upstream production enterprises, and signed a Sunshine Procurement Service Agreement (《陽光採購服務協議》) with First Affiliated Hospital in early August 2018 which has laid a solid foundation for the Company to fully take over the supply chain business of First Affiliated Hospital. Meanwhile, the master plan and building layout plan for International Land Port Hospital have already been finalized, while relocation and construction of the high-voltage lines and other related work are well underway. In the second half of this year, the Company will continue to progress the construction and engineering of International Land Port Hospital, and at the same time speed up the supply chain business operation.

Fully Establishment of Business Development in respect of Merger and Acquisition of Medical Institutions owned by State-owned Enterprises

On 3 August 2017, six ministries and commissions including the 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), requiring the reform of medical institutions of SOEs by way of spin-off should be substantially completed by the end of 2018, and proposing to support SOEs primarily engaged in healthcare industry to integrate the resources of such medical institutions. Subsequently, in order to urge implementation of the reform of medical institutions owned by SOEs, SASAC further issued relevant notices, requiring, among others, all central SOEs should prepare plans to ensure that reform of medical institutions of SOEs be completed by the end of 2018; six central SOEs including GT-PRC are allowed to participate in resources consolidation of medical institutions of SOEs; in principle, the central SOEs not engaged in healthcare industry will no longer and not be allowed to establish medical institutions, nor should they establish or directly manage such medical institutions during the restructuring with social capital involved, by circumventing such restrictions.

As the main operating entity of the medical and health segment of GT-PRC, the Group actively responded to these above policies. In the first half of 2018, the Group focused on medical institutions of SOEs with better operational performance, management skills and geographic positions. The Group has been in close contact with several state-owned groups and their quality hospitals, and managed to reach preliminary agreements on cooperation. Further project negotiations, on-site due diligence, approval requests and other work are being undertaken in an orderly manner.

Simultaneous Promotion of Internal and External Developments

In the first half of 2018, the Group actively strengthened the development and interconnection of its external and internal resources, while speeding up its promotion of hospital investment and management business:

- **Teams:** In order to support hospital investment and management business, the Group focused on the key linking characteristics of hospital development and has established a series of professional teams for technology development, process optimization, operational analysis, human resources, marketing and policy research. It has also set up powerful internal communication and coordination mechanisms.

- **Talents:** The Group has brought in and cultivated hundreds of professionals with master degrees or above from medical colleges and institutes. It has also hired dozens of experts for specific posts such as investment assessment, law, medical digitalization, hospital construction, supply chain operation and post-investment management, so as to create its own professional teams.

- **Resources:** The Group continued to accumulate various international and domestic medical resources. To date, the Group has established cooperative relationships with dozens of top international medical institutions and domestic hospitals, and more than 200 experts and academic leaders in various disciplines. In the future, the Group will establish a physician group to provide long-term technology support to hospitals it acquired.

- **Financing:** The Group enjoys various financing channels and sufficient banking facilities. As of the first half of 2018, the Group has cooperated with approximately 100 financial institutions. In addition, the Group is actively seeking to exploit diversified financing channels to ensure sufficient funding support for its hospital investment and management business.

1.2 Medical Finance Business

In the first half of 2018, facing changing environments in domestic and international finance markets and even more fierce competition in finance lease market, the Group's staff worked meticulously in their market sector, continuing to intensify market exploitation and enhance existing customers' stickiness by providing differentiated and high quality services, which has helped steadily increase the Group's asset size. Meanwhile, we have actively adjusted our financing strategies to optimize debt structures and control the average cost rate of interest-bearing liabilities. As always, we executed prudent risk control processes and strict asset management measures to ensure that our asset quality remains the leading position in the industry.

- **The yield of interest-earning assets dropped slightly.** Facing a risk-gathering environment, the Group selected clients more prudently in the first half of the year meaning that we have given priority to clients with higher credit ratings. The yield of interest-earning assets dropped slightly to 7.96%, representing a decrease of 0.32 percentage point from 8.28% of the corresponding period of the previous year.

- **The cost rate of interest-bearing liabilities remained stable.** Since the beginning of the year, a prudent and neutral monetary policy plus stricter regulation policies in terms of risk prevention and deleveraging have contributed to tighter liquidity and climbing interest rates, bringing about rising financing costs. Under an economic environment of tightened banking facilities and rising financing costs, the Group has actively adjusted its financial strategies to optimize debt structures, expand funding sources via multiple channels, and arrange in advance various funds to help the Group maintain sufficient liquidity and ensure the progress of its business. In the first half of 2018, the average cost rate of the Group's interest-bearing liabilities dropped to 4.63% from 4.64% for the corresponding period of the previous year.

- **The Group recorded steady growth in its asset size and remained good asset quality.** As at 30 June 2018, the Group's total assets reached RMB42,948.7 million, representing an increase of 13.8% as compared with the end of 2017. The proportion of healthcare assets in finance lease receivables was 74.9%, showing the Group's assets concentration in healthcare industry. The Group recorded a non-performing asset ratio of 0.75% and a 30-days overdue ratio of 0.41%, remaining the leading position in the industry. We maintained prudent provision policies and as at 30 June 2018, the Group had a provision coverage ratio of 183.01%.

1.3 Medical Technology Service

The Group has further expanded its medical technology services as it continues to enrich its domestic and international resources. It has established cooperative relationships with dozens of top international medical institutions and domestic hospitals. The Group has also established cooperative relationships with more than 200 experts and academic leaders in various disciplinary fields. The Group gives full play to its advantages to help its partnered hospitals establish connections with the most suitable quality medical resources to achieve comprehensive improvements at medical technology and managerial expertise. In the first half of 2018, the Group recorded a gross profit of RMB429.6 million from its industry, equipment and financing advisory services, representing a growth of 22.0% as compared with the corresponding period of the previous year.

In the first half of 2018, the Group recorded a gross profit of RMB93.2 million generated from its clinical department upgrade services, representing a growth of 34.3% as compared with the corresponding period of the previous year. The Group has further expanded its scope of cooperation in CVA projects, successively initiating the establishment of several CVA centers at county level, such as at the People's Hospital of Baihe County（白河縣人民醫院）. It has also provided expert resources to organize operational trainings for technology support to these centers in undertaking local prevention and treatment services.

While promoting the potential market of clinical department upgrade services centered on CVA projects, the Group has continued to select cutting-edge medical devices with a promising market in global medical device fields, and provided services on registration and introduction of these devices and related services in Chinese market. At present, the Group is the exclusive general agent and regional agent in China for 19 categories of medical device products and cooperates with up to 6 medical device suppliers, covering more than 200 products.

1.4 Medical Digitalization Business

The Group's goal of actively developing its medical digitalization business is to create internet-based medical platforms, establish remote medical networks to provide remote medical services via multiple modes and extend the medical services of hospitals to thousands of households and achieve deep integration of the internet with medical services. In order to meet the development needs of the medical digitalization business, the Group has implemented multiple necessary measures simultaneously, extensively recruited professional talents and established a skillful and professional team for the research, development and operation of its medical digitalization products. In the first half of 2018, the Group further optimized the medical management information system that it researched and developed independently. On the one hand, this has provided technology support for the Company to help its future hospitals achieve internet-based medical platforms. On the other hand, it has gradually developed an independent market. In the first half of 2018, the Group successfully entered into an agreement with People's Hospital of Baoqing (寶清縣人民醫院) for medical digitalization business cooperation. Meanwhile, the implementation of a framework agreement the Group signed earlier with Qiqihar First Hospital (齊齊哈爾第一醫院) has entered into work stages such as data acquisition and finance system connection. Cooperation will be further expanded and carried out subsequently.

1.5 Prospects for the Second Half of the Year and the Future

Keep feet on the ground and work hard in a persistent way. In the second half of 2018, the Group will continue to focus on the strategic development direction in medical fields, seize policy and market opportunities, speed up the integration of resources, and actively respond to all challenges. Based on our medical finance services, we will continue to vigorously expand hospital investment and management business, cooperatively develop medical digitalization business and steadily implement medical technology services. We will push forward the synergetic development of businesses in all segments, and actively explore the extension and integration mode of medical industry services, so as to build Universal Medical into a leading medical and health conglomerate.

2. ANALYSIS OF PROFIT OR LOSS

2.1 Overview

In the first half of 2018, 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 the first half of 2018, the Group recorded a revenue of RMB2,094.8 million, representing an increase of RMB440.9 million or 26.7% as compared to the corresponding period of the previous year. Profit before tax was RMB1,001.7 million, representing an increase of RMB201.8 million or 25.2% as compared to the corresponding period of the previous year.

The following table sets forth the Group's statement of profit or loss for the six months ended 30 June 2018:

	For the six months ended 30 June		
	2018	2017	Change
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	**2,094,780**	1,653,892	26.7%
Cost of sales	**(767,807)**	(574,295)	33.7%
Gross profit	**1,326,973**	1,079,597	22.9%
Other income and gains	**44,208**	9,949	344.3%
Selling and distribution costs	**(171,216)**	(157,916)	8.4%
Administrative expenses	**(128,089)**	(115,387)	11.0%
Financial costs	**(68)**	(512)	-86.7%
Other expenses	**(70,149)**	(15,823)	343.3%
Profit before tax	**1,001,659**	799,908	25.2%
Income tax expense	**(268,406)**	(220,993)	21.5%
Profit for the period	**733,253**	578,915	26.7%
Basic and diluted earnings per share *(RMB)*	**0.43**	0.34	26.7%

2.2 Analysis of Business Revenue

Focusing on the fast-growing healthcare service industry in China while adhering to the integrated development strategy, the Group saw synergetic development in various business segments. In the first half of 2018, the Group achieved a stable growth in revenue from all business segments.

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

	For the six months ended 30 June				
	2018		2017		
	Gross profit RMB'000 (Unaudited)	% of total	Gross profit RMB'000 (Unaudited)	% of total	Change
Finance lease	**800,029**	**60.3%**	653,827	60.6%	22.4%
Industry, equipment and financing advisory	**429,617**	**32.4%**	352,034	32.6%	22.0%
Clinical department upgrade services	**93,150**	**7.0%**	69,339	6.4%	34.3%
Hospital investment and management	**4,063**	**0.3%**	2,195	0.2%	85.1%
Other business	**114**	**0.0%**	2,202	0.2%	-94.8%
Total	**1,326,973**	**100.0%**	1,079,597	100.0%	22.9%

In the first half of 2018, the Group's gross profit was RMB1,327.0 million, increasing by RMB247.4 million, or 22.9%, as compared to the corresponding period of the previous year. In particular, interest margin gross profit of finance lease business was RMB800.0 million, representing an increase of RMB146.2 million, or 22.4%, as compared to the corresponding period of the previous year; gross profit of industry, equipment and financing advisory services was RMB429.6 million, representing an increase of RMB77.6 million, or 22.0%, as compared to the corresponding period of the previous year; and gross profit of clinical department upgrade services was RMB93.2 million, representing an increase of RMB23.8 million, or 34.3%, as compared to the corresponding period of the previous year. The hospital investment and management business achieved a gross profit of RMB4.1 million, representing an increase of RMB1.9 million, or 85.1%, as compared to the corresponding period of the previous year.

2.2.1 Finance lease business

In the first half of 2018, the Group continued developing the finance lease business in a prudent manner, rationalized regional distribution of business, strengthened intensive management of business personnel, further 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 six months ended 30 June				
	2018 RMB'000 (Unaudited)	**% of total**	2017 RMB'000 (Unaudited)	% of total	Change
Healthcare	**1,097,002**	**73.1%**	824,740	69.3%	33.0%
Other	**402,776**	**26.9%**	365,590	30.7%	10.2%
Total	**1,499,778**	**100.0%**	1,190,330	100.0%	26.0%

The Group's finance lease income is mainly comprised of interest income. In the first half of 2018, the Group recorded interest income of RMB1,499.8 million from finance lease business, representing an increase of RMB309.4 million or 26.0% as compared to the corresponding period of the previous year. The Group focused on healthcare sector, and the interest income from healthcare industry was RMB1,097.0 million, accounted for 73.1% over the total interest income in the first half of 2018.

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

	30 June 2018			30 June 2017		
	Average balance RMB'000 (Unaudited)	Interest income [1]/ expense [2] RMB'000 (Unaudited)	Average yield [3] /cost rate [4]	Average balance RMB'000 (Unaudited)	Interest income [1]/ expense [2] RMB'000 (Unaudited)	Average yield [3] /cost rate [4]
Interest-earning assets	**38,217,123**	**1,507,885**	**7.96%**	29,180,939	1,196,430	8.28%
Interest-bearing liabilities	**30,474,009**	**699,749**	**4.63%**	23,309,989	536,503	4.64%
Net interest margin [5]	**–**	**–**	**4.26%**	–	–	4.57%
Net interest spread [6]	**–**	**–**	**3.33%**	–	–	3.64%

(1) Interest income represents the interest income from finance lease business;

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

(3) Average yield = Interest income/average balance of interest-earning assets, presented on an annualised basis;

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

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

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

In the first half of 2018, the average yield of the Group's interest-earning assets was 7.96%, representing a decrease of 0.32 percentage point from 8.28% in the corresponding period of the previous year; average cost rate of interest-bearing liabilities was 4.63%, representing a decrease of 0.01 percentage point from 4.64% in the corresponding period of the previous year. Net interest margin of finance lease was 4.26%, representing a decrease of 0.31 percentage point from 4.57% in the corresponding period of the previous year; net interest spread was 3.33%, representing a decrease of 0.31 percentage point from 3.64% in the corresponding period of the previous year.

Average yield of interest-earning assets: in the first half of 2018, in the environment of gathering market risks, the Group adjusted its market development strategy in a timely manner, implemented a more cautious customer selection strategy, and prioritized cooperation with high-credit customers. The average yield of the Group's interest-earning assets slightly decreased to 7.96%, representing a decrease of 0.32 percentage point from 8.28% in the corresponding period of the previous year. However, benefiting from customer loyalty and the finance advantages of differentiation brought by our integrated healthcare service, the average yield of the Group's interest-earning assets remained at a high level in the market.

Average cost rate of interest-bearing liabilities: in the first half of 2018, faced with the market environment of limited credit scale and increasing financing cost of domestic banks, the Group actively adjusted its financing strategy, optimized debt structure, widened the sources of funds through multiple channels, and effectively ensured the progress of business investment. In the first half of 2018, the average cost rate of interest-bearing liabilities remained basically stable as compared to the corresponding period of the previous year.

2.2.2 *Industry, equipment and financing advisory*

Industry, equipment and financing advisory services is a part of the Group's integrated services. In the first half of 2018, the gross profit from industry, equipment and financing advisory services was RMB429.6 million, representing an increase of RMB77.6 million or 22.0% as compared to the corresponding period of the previous year. Leveraging on our expanding healthcare resources platform, we continuously optimized the organization allocation in accordance with the characteristics of hospital operation at all stages and strengthened internal collaboration and staff training so as to provide customers with valuable, flexible and diversified comprehensive services that comprised financial services, 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-to-long term planning for hospital development, disciplinary groups planning, speciality business training, approach and strategic consulting for chronic disease prevention and treatment, consulting for innovation in specialized areas and continuing medical education. By providing these services, the Group aimed to enhance the technical service capabilities and management efficiency of partner hospitals with sales of equipment as supporting business. In the first half of 2018, the gross profit from clinical department upgrade services was RMB93.2 million, representing an increase of RMB23.8 million, or 34.3%, as compared to the corresponding period of 2017.

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

	For the six months ended 30 June					
	2018			2017		
	Income RMB'000 (Unaudited)	Gross profit RMB'000 (Unaudited)	% of total gross profit	Income RMB'000 (Unaudited)	Gross profit RMB'000 (Unaudited)	% of total gross profit
Clinical department upgrade advisory services	98,654	98,654	105.9%	64,702	64,702	93.3%
Operating lease	4,683	(7,953)	-8.5%	10,246	642	0.9%
Sales of medical equipment	4,955	2,449	2.6%	9,497	3,995	5.8%
Total	108,292	93,150	100.0%	84,445	69,339	100.0%

2.2.4 *Hospital investment and management business*

In the first half of 2018, the Group's hospital investment and management business steadily progressed under policy opportunities, brought the hospital investment and management business with income of RMB57.0 million, representing an increase of 129.0%, as compared to the corresponding period of the previous year; and gross profit of RMB4.1million, representing an increase of 85.1%, as compared to the corresponding period of the previous year.

2.3 Operating cost

In the first half of 2018, the Group's sales and distribution costs amounted to RMB171.2 million, representing an increase of RMB13.3 million, or 8.4%, as compared to the corresponding period of the previous year. Administrative expenses amounted to RMB128.1 million, representing an increase of RMB12.7 million, or 11.0%, as compared to the corresponding period of the previous year. The increase in operating costs was mainly due to the Company's continuous promotion of new businesses, such as financial leasing business and hospital investment management. On the one hand, the Company constantly attracted more professionals to join, resulting in an increase in related salary and welfare expenditure; on the other hand, the Company intensified market exploitation in finance lease business in the first half of 2018, and vigorously promoted new business such as hospital merger and acquisition and hospital management projects, and business development expenses such as travel expenses increased significantly.

In the first half of 2018, the Group continued to remain high operating efficiency and the cost to income ratio was 21.1%, representing a slight decrease of 2.1 percentage points as compared to 23.2% for the corresponding period of the previous year.

2.4 Income tax expenses

During the first half of 2018, the Group's income tax expenses of RMB268.4 million increased by RMB47.4 million as compared with the same period of the previous year, which was mainly due to the increase of profit before tax.

3. FINANCIAL POSITION ANALYSIS

3.1 Overview of Assets

As at 30 June 2018, the Group's total assets was RMB42,948.7 million, representing an increase of RMB5,216.2 million or 13.8% as compared to the end of the previous year. In particular, our loans and accounts receivable was RMB40,241.1 million, representing an increase of RMB5,671.0 million or 16.4% as compared to the end of the previous year; our cash and cash equivalents was RMB1,944.7 million, representing an increase of RMB194.8 million or 11.1% as compared to the end of the previous year. With respect to assets structure, the cash and cash equivalents accounted for 4.5% of the total assets; and our loan and accounts receivable accounted for 93.7% of the total assets.

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change
Restricted deposits	**259,253**	**0.6%**	932,376	2.5%	-72.2%
Cash and cash equivalents	**1,944,687**	**4.5%**	1,749,884	4.6%	11.1%
Inventories	**25,159**	**0.0%**	21,045	0.1%	19.5%
Loans and accounts receivable	**40,241,107**	**93.7%**	34,570,089	91.6%	16.4%
Prepayments, deposits and other receivables	**162,920**	**0.4%**	145,237	0.4%	12.2%
Property, plant and equipment	**74,189**	**0.2%**	86,883	0.3%	-14.6%
Available-for-sale investments	**–**	**0.0%**	43,961	0.1%	-100.0%
Deferred tax assets	**193,403**	**0.5%**	163,876	0.4%	18.0%
Derivative financial instruments	**33,267**	**0.1%**	5,273	0.0%	530.9%
Goodwill	**9,211**	**0.0%**	9,211	0.0%	0.0%
Other assets	**5,478**	**0.0%**	4,678	0.0%	17.1%
Total	**42,948,674**	**100.0%**	37,732,513	100.0%	13.8%

3.1.1 Cash and cash equivalents

As at 30 June 2018, the Group had cash and cash equivalents of RMB1,944.7 million, which mainly comprised the unutilized bank borrowings raised and the balance of funds raised from listing. The balance of cash and cash equivalents will be gradually arranged of use in accordance with the Group's operating plan.

3.1.2 Loans and accounts receivable

As at 30 June 2018, the balance of the Group's loans and accounts receivable was RMB40,241.1 million, among which the net lease receivables was RMB40,174.3 million, accounted for 99.8% of the loans and accounts receivable.

Lease receivables

In the first half of 2018, 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 and steadily expanded, while the industry structure of finance lease assets remained stable.

As at 30 June 2018, the Group's net value of lease receivables was RMB40,174.3 million, representing an increase of RMB5,671.4 million, or 16.4%, as compared to the end of the previous year.

Net finance lease receivables by industry

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Healthcare	**30,510,163**	**74.9%**	24,545,511	70.1%	24.3%
Others	**10,223,080**	**25.1%**	10,475,781	29.9%	-2.4%
Net finance lease receivables	**40,733,243**	**100.0%**	35,021,292	100.0%	16.3%
Less: Provision for asset impairment	**(558,904)**		(518,397)		7.8%
Net value of finance lease receivables	**40,174,339**		34,502,895		16.4%

The maturity profile of the net lease receivables

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Within 1 year	**10,892,891**	**26.8%**	9,304,757	26.6%	17.1%
1-2 years	**10,351,222**	**25.4%**	8,696,021	24.8%	19.0%
2-3 years	**9,331,899**	**22.9%**	8,024,276	22.9%	16.3%
Over 3 years	**10,157,231**	**24.9%**	8,996,238	25.7%	12.9%
Net lease receivables	**40,733,243**	**100.0%**	35,021,292	100.0%	16.3%

The Group formulated reasonable business investment strategies according to the strategic plan so as to ensure the sustained and steady cash inflow. As at 30 June 2018, 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:

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Pass	**34,305,294**	**84.22%**	29,537,050	84.34%	16.1%
Special attention	**6,122,561**	**15.03%**	5,211,287	14.88%	17.5%
Substandard	**263,702**	**0.65%**	231,269	0.66%	14.0%
Doubtful	**41,686**	**0.10%**	41,686	0.12%	0.0%
Loss	**–**	**0.00%**	–	0.00%	0.0%
Finance lease receivables, net	**40,733,243**	**100.00%**	35,021,292	100.00%	16.3%
Non-performing assets (1)	**305,388**		272,955		11.9%
Non-performing assets ratio (2)	**0.75%**		0.78%		

(1) Non-performing assets are defined as those lease receivables having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the 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 more details of five-category classification.

The Group has been implementing a stable asset management policy and continuously adopting a stringent and prudent asset classification policy. As at 30 June 2018, the Group had non-performing assets of RMB305.4 million, representing an increase of RMB32.4 million as compared to the end of the last year, which was mainly due to the increase in total finance lease receivables resulting from the expansion of the finance lease business of the Group. Moreover, the Group continuously improved its risk management system, adopted effective risk prevention measures and made greater efforts to clear and recover non-performing assets. As at 30 June 2018, the Group's non-performing assets ratio was 0.75%.

Ratio of overdue lease receivables

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Overdue ratio (over 30 days) [1]	**0.41%**	0.44%

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

During the first half of 2018, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. As at 30 June 2018, the overdue ratio (over 30 days) was 0.41%, decreased by 0.03 percentage point as compared to 0.44% at the end of the previous year, remaining at a low level.

Provision for impairment of lease receivables

The Group has applied the simplified approach to providing for expected credit losses prescribed by HKFRS 9 from 1 January 2018, which permits the use of the lifetime expected loss provision for all lease receivables.

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

	Pass (Unaudited)	Special mention (Unaudited)	Substandard (Unaudited)	Doubtful (Unaudited)	Loss (Unaudited)	Total (Unaudited)
As at 30 June 2018						
Expected loss rate	**0.88%**	**2.47%**	**27.32%**	**83.29%**	**–**	**1.37%**
Provision	**301,047**	**151,084**	**72,052**	**34,721**	**–**	**558,904**
Net lease receivables	**34,305,294**	**6,122,561**	**263,702**	**41,686**	**–**	**40,733,243**
As at 1 January 2018						
Expected loss rate	0.97%	2.96%	27.78%	83.29%	–	1.54%
Provision	285,709	154,444	64,245	34,721	–	539,119
Net lease receivables	29,537,050	5,211,287	231,269	41,686	–	35,021,292

As at 30 June 2018, the Group's provision coverage ratio was 183.01%, representing a decrease of 6.91 percentage points as compared to the end of the previous year. With the expansion of its business, the Group's management believes that it is imperative to take prudent measures to protect the Group against systematic risks and move towards the international standards and practices. As such, the Group maintained its asset provision coverage ratio at an appropriate level. 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 30 June 2018, the Group's total liabilities amounted to RMB35,115.8 million, representing an increase of RMB4,852.1 million, or 16.0%, as compared to the end of the previous year. Among these, the interest-bearing bank and other borrowings amounted to RMB30,939.8 million, representing an increase of RMB4,057.2 million, or 15.1%, as compared to the end of the previous year; other payables and accruals amounted to RMB2,978.2 million, representing a decrease of RMB6.9 million, or 0.2%, as compared to the end of the previous year. In terms of liabilities structure, the interest-bearing bank and other borrowings account for 88.1% of the total liabilities, while other payables and accruals account for 8.5% of the total liabilities.

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change
Interest-bearing bank and other borrowings	**30,939,846**	**88.1%**	26,882,695	88.8%	15.1%
Trade and bills payable	**1,075,742**	**3.1%**	264,697	0.9%	306.4%
Other payables and accruals	**2,978,188**	**8.5%**	2,985,135	9.9%	-0.2%
Derivative financial instruments	**15,580**	**0.0%**	16,844	0.1%	-7.5%
Taxes payable	**62,487**	**0.2%**	70,355	0.2%	-11.2%
Other liabilities	**43,961**	**0.1%**	43,961	0.1%	0.0%
Total	**35,115,804**	**100.0%**	30,263,687	100.0%	16.0%

3.2.1 Interest-bearing bank and other borrowings

In the first half of 2018, under the complicated domestic and overseas financial environments, the Group actively adjusted financing strategies according to changes in the financial situation, and optimized financing sources in the context of tighter financing market scale. The Group's interest-bearing bank and other borrowings is mainly used to provide capital for its finance lease business. As at 30 June 2018, the balance of the Group's interest-bearing bank and other borrowings was RMB30,939.8 million, representing an increase of RMB4,057.2 million or 15.1% as compared to the end of the previous year. The interest-bearing liabilities of the Group are mainly at fixed interest rates or at floating benchmark lending interest rates promulgated by the People's Bank of China and the London Interbank Offered Rate.

Breakdown of interest-bearing bank and other borrowings by type:

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change
Bank loans	**15,420,257**	**49.8%**	14,785,371	55.0%	4.3%
Due to related parties	**1,500,000**	**4.8%**	3,000,000	11.2%	-50.0%
Bonds	**10,570,289**	**34.2%**	6,102,148	22.7%	73.2%
Other loans	**3,449,300**	**11.2%**	2,995,176	11.1%	15.2%
Total	**30,939,846**	**100.0%**	26,882,695	100.0%	15.1%

As at 30 June 2018, the balance of the Group's bank loans was RMB15,420.3 million, accounting for 49.8% of its total interest-bearing bank and other borrowings, representing a decrease of 5.2 percentage points as compared to 55.0% as at the end of the previous year. In the first half of 2018, the domestic bank loan scale was tight and the cost was high, so the Group increased the bond issuance and the bond balance ratio.

Breakdown of interest-bearing and other borrowings by currency:

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change
RMB	**26,300,246**	**85.0%**	22,949,964	85.4%	14.6%
USD	**2,795,000**	**9.0%**	2,414,831	9.0%	15.7%
HKD	**1,844,600**	**6.0%**	1,517,900	5.6%	21.5%
Total	**30,939,846**	**100.0%**	26,882,695	100.0%	15.1%

As at 30 June 2018, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB26,300.2 million, accounting for 85.0% of its total interest-bearing bank and other borrowings, representing a decrease of 0.4 percentage point as compared to 85.4% as at the end of the previous year. In the first half of 2018, due to the impact of the quota control of the People's Bank of China, the scale of RMB loan of the domestic banks was tight, the difficulty of domestic capital availability was increased, and the cost kept rising. Therefore, the Group increased the proportion of foreign currency financing and made related financial derivatives to hedge the exchange rate risk.

Breakdown of the interest-bearing bank and other borrowings by region:

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Domestic	**26,498,744**	**85.6%**	23,145,990	86.1%	14.5%
Overseas	**4,441,102**	**14.4%**	3,736,705	13.9%	18.9%
Total	**30,939,846**	**100.0%**	26,882,695	100.0%	15.1%

In the first half of 2018, the domestic bank loan scale was tight and the cost increased, therefore, the Group increased the proportion of overseas financing.

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Current	**15,458,296**	**50.0%**	10,963,552	40.8%	41.0%
Non-current	**15,481,550**	**50.0%**	15,919,143	59.2%	-2.7%
Total	**30,939,846**	**100.0%**	26,882,695	100.0%	15.1%

As at 30 June 2018, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB15,458.3 million, accounting for 50.0% of its total interest-bearing bank and other borrowings, representing an increase of 9.2 percentage points as compared to 40.8% as at the end of the previous year. In the first half of 2018, under the influence of the deleveraging policy of the People's Bank of China, the domestic medium and long-term borrowing costs increased significantly. On the premise that sufficient liquidity and reasonable debt structure are ensured, the Group tended to obtain short-term funds with lower costs, so the ratio of current liabilities has increased, but it is still under control. In the second half of 2018, China's macro monetary policy would change from deleveraging to stabilizing leverage, and monetary market liquidity would improve. The Group will seize the time window to increase the proportion of non-current interest-bearing liabilities.

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change
Secured	**4,554,458**	**14.7%**	3,970,395	14.8%	14.7%
Unsecured	**26,385,388**	**85.3%**	22,912,300	85.2%	15.2%
Total	**30,939,846**	**100.0%**	26,882,695	100.0%	15.1%

As at 30 June 2018, the Group's total secured interest-bearing bank and other borrowings amounted to RMB4,554.5 million, accounting for 14.7% of its total interest-bearing bank and other borrowings, representing a decrease of 0.1 percentage point as compared to 14.8% as at the end of the previous year The Group's secured assets were mainly finance lease assets, and the decrease in its proportion indicated a further improvement of the Group's own financing capabilities.

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change
Direct financing	**10,570,289**	**34.2%**	6,102,148	22.7%	73.2%
Indirect financing	**20,369,557**	**65.8%**	20,780,547	77.3%	-2.0%
Total	**30,939,846**	**100.0%**	26,882,695	100.0%	15.1%

As at 30 June 2018, among the balance of the Group's interest-bearing bank and other borrowings, the direct financing amounted to RMB10,570.3 million, accounting for 34.2% of its total interest-bearing bank and other borrowings, representing an increase of 11.5 percentage points as compared to 22.7% as at the end of the previous year. As the capital cost in domestic bond market in the first half of 2018 was lower than that of indirect financing such as bank loans, the Group adjusted its financing strategy and increased the proportion of direct financing.

3.2.2 Other payables and accruals

Other payables and accruals primarily comprise the lease deposits paid by customers, the accrued interests on borrowings, as well as the accrued salary and welfare payables. As at 30 June 2018, other payables and accruals amounted to RMB2,978.2 million, representing a decrease of RMB6.9 million as compared to the end of the previous year.

3.3 Shareholders' Equity

As at 30 June 2018, the Group's total equity was RMB7,832.9 million, representing an increase of RMB364.0 million, or 4.9%, as compared to the end of the previous year, which was mainly due to the increase in reserve as a result of an increase in profit for the period.

4. CASH FLOWS ANALYSIS

	For the six months ended 30 June		
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	Change
Net cash flows used in operating activities	**(3,425,788)**	(1,830,444)	87.2%
Net cash flows used in investing activities	**390,423**	(543,587)	-171.8%
Net cash flows from financing activities	**3,254,393**	1,736,004	87.5%
Effect of exchange rate changes on cash and cash equivalents	**(24,225)**	(24,909)	-2.7%
Net increase in cash and cash equivalents	**194,803**	(662,936)	-129.4%

Due to the Group's business expansion and an increase in the size of interest-earning assets in the first half of 2018, net cash outflows from operating activities amounted to RMB3,425.8 million. Net cash inflows from investing activities amounted to RMB390.4 million, primarily due to the Group's recovery of investment principal such as time deposits. 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 RMB3,254.4 million.

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 status. In the first half of 2018, no changes were made to the Group's objectives, policies or processes for capital management.

Debt ratio

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Total assets	**42,948,674**	37,732,513
Total liabilities	**35,115,804**	30,263,687
Total equity	**7,832,870**	7,468,826
Debt ratio	**81.76%**	80.21%

Gearing ratio

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Interest-bearing bank and other borrowings	**30,939,846**	26,882,695
Total equity	**7,832,870**	7,468,826
Gearing ratio	**3.95**	3.60

As at 30 June 2018, the Group's debt ratio and gearing ratio have increased slightly as compared to the end of the previous year.

6. CAPITAL EXPENDITURE

The Group's capital expenditure primarily consists of construction expenditure on hospital investment and management projects and expenditure relating to office facilities. In the first half of 2018, the Group had capital expenditure of RMB4.2 million, which primarily consisted of related expenses for the construction of hospital investment and management projects, office renovation costs and office informatization project construction expenditure.

Use of Proceeds from the Initial Public Offering

The Company's shares were listed on the main board of the Stock Exchange on 8 July 2015. After the partial exercise of the over-allotment option, and deducting underwriting commissions and all related expenses, the net proceeds from the initial public offering amounted to approximately RMB2,775.5 million. For the six months ended 30 June 2018, the Group did not change its plan on the use of proceeds as stated in the prospectus of the Company dated 24 June 2015.

7. RISK MANAGEMENT

The Group's principal financial instruments included 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	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Change in base points		
+100 base points	**76,208**	45,722
-100 base points	**(76,208)**	(45,722)

7.2 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the financing activities of the Group.

The Group conducts its businesses mainly in RMB, with certain financing activities 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 currencies other than RMB. In order to control currency risk, the Group adopted prudent currency risk management which hedges risk exposures one by one under comprehensive risk exposure management. It proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as forward exchange transaction. As at 30 June 2018, the Group's exposure to foreign exchange risk amounted to approximately US$687 million, US$688 million or 100.1% of which had been hedged against by various financial instruments. Thus, the Group's exposure to foreign exchange risk is limited.

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 exchange rate %	Increase/(decrease) in profit before tax	
		30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
If RMB strengthens against USD/HKD	(1)	**(41)**	29,997
If RMB weakens against USD/HKD	1	**41**	(29,997)

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 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.

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

Substandard. The lessee's ability to pay the principal and interests of the lease receivables is in question as it is unable to make its payments in full with its operating revenues and the Group is likely to incur losses notwithstanding the enforcement of any guarantees. 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 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:

	30 June 2018		31 December 2017	
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total
Healthcare	**30,510,163**	**74.9%**	24,545,511	70.1%
Others	**10,223,080**	**25.1%**	10,475,781	29.9%
Total	**40,733,243**	**100.0%**	35,021,292	100.0%

Although the customers of the Group are mainly concentrated in the healthcare industry, there is no significant credit risk concentration within the Group, as the healthcare industry is related closely to people's basic livelihood and is 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:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Net finance lease receivables	**39,997,513**	34,737,651
Accounts receivable	**66,768**	67,194
Deposits and other receivables	**47,171**	114,535
Available-for-sale investment	**–**	43,961
Derivative financial assets	**33,267**	5,273

As at 30 June 2018, the financial assets which are past due but are not considered impaired amounted to RMB430.3 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**
			30 June 2018 (Unaudited)		
Net finance lease receivables	**429,654**	**–**	**688**	**–**	**430,342**
			31 December 2017 (Audited)		
Net finance lease receivables	1,938	–	8,748	–	10,686

Among the Group's customers with finance lease receivables that were past due but not impaired, those who overdue within 90 days have good transaction 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. Of the past due but not impaired assets as at 30 June 2018, RMB35.2 million finance lease receivables were recovered in July 2018.

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Net finance lease receivables	**305,388**	272,955

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
			30 June 2018 (Unaudited)			
Total financial assets	**2,116,745**	**3,421,045**	**9,906,049**	**33,702,065**	**563,954**	**49,709,858**
Total financial liabilities	**(775,902)**	**(5,518,590)**	**(12,162,136)**	**(19,217,251)**	**(18,052)**	**(37,691,931)**
Net liquidity gap [(1)]	**1,340,843**	**(2,097,545)**	**(2,256,087)**	**14,484,814**	**545,902**	**12,017,927**
			31 December 2017 (Audited)			
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)	(19,024,097)	(18,052)	(32,053,112)
Net liquidity gap [(1)]	1,737,888	1,199,904	(1,680,381)	9,716,558	632,701	11,606,671

(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 of 30 June 2018, the Group had finance lease receivables of RMB6,437.4 million and cash of RMB136.1 million pledged or paid to banks to secure the bank borrowings.

9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

Based on business development needs, the Group established Universal Medical Leasing (Hengqin) Company Limited(環球醫療融資租賃(橫琴)有限公司) in Hengqin new district, Zhuhai, Guangdong, and completed the business registration on 10 April 2018.

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

10.1 Contingent Liabilities

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
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:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Capital expenditure under signed contracts but not appropriated	**602**	2,377
Credit commitments [1]	**887,000**	1,528,274

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

11. HUMAN RESOURCES

As at 30 June 2018, the Group had a total of 655 full-time employees.

We have a highly-educated and high-quality work force, with about 86.3% of our employees holding bachelor's degrees or above, about 46.1% holding master's degrees or above and about 2.4% holding doctor's degrees as at 30 June 2018. 307 employees or 46.9% of our total employees have medical background.

We have established and implemented a flexible and efficient employee incentive compensation plan to link the remuneration of our employees to their overall performance and contribution to the Company. We have established a set of remuneration award system based on factors such as their overall performance and accomplishment of work targets. We promote our employees based on their positions, service term and performance by category into professional or managerial group, which provides our employees with a clear career path. We appraise our employees above supervisor level on an annual basis according to business objective obligations, organization construction and accomplishment of teamwork targets.

In accordance with applicable PRC regulations, we have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We also provide other insurance plans for our employees such as supplementary pension, additional medical insurance and accident insurance in addition to those required under the PRC regulations. For the six months ended 30 June 2018, the Group had complied with all statutory social insurance and housing fund obligations applicable to us under the PRC laws in all material aspects.

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

As at 30 June 2018, the interests and/or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the Shares

Name	Nature of interest	Position	Number of Shares interested	Approximate percentage of interest held in the Company
Guo Weiping *(Note 1)*	Interest of controlled corporation	Executive Director	18,728,295	1.09%
Peng Jiahong *(Note 2)*	Interest of controlled corporation	Executive Director	7,617,400	0.44%

Notes:

(1) Mr. Guo is the sole legal and beneficial owner of ITCCL which is the beneficial owner of the said 18,728,295 Shares. By virtue of the SFO, Mr. Guo is deemed to be interested in the Shares owned by ITCCL.

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

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

As at 30 June 2018, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares and the underlying shares of the Company

Name of shareholder	Nature of interest	Number of Shares interested	Approximate percentage of interest held in the Company
GT-HK *(Note)*	Beneficial owner	584,000,395	34.03%
GT-PRC *(Note)*	Interest of controlled corporation	647,478,700	37.73%
Brandes Investment Partners, L.P.	Investment manager	87,654,000	5.11%

Note:

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.

CORPORATE GOVERNANCE CODE

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

During the period from 1 January 2018 to 30 June 2018, the Company has complied with all code provisions as set out in the CG Code save for the deviation from code provision A.4.2.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry to all the Directors (including those who resigned during the accounting period covered by this interim report), all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2018 or the date of his appointment as Director (whichever is later) to the date of this interim report or the date of his resignation as the Director (whichever is earlier).

AUDIT COMMITTEE

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

The Audit Committee has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 and this interim report.

In addition, Ernst & Young, the external auditor of the Company, has independently reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the year ended 31 December 2017 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2018 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required under section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has submitted a report on the consolidated financial statements for the year ended 31 December 2017. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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 risk management and 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 the independence in terms of its organization, staffing and work. In performing its duties, the internal control department may inspect all business and meet relevant personnel without restrictions.

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

Features of risk management and internal control systems

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

Effectiveness of the risk management and internal control systems

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

During the period, the internal control department has stepped up supervision of high risk areas in operation by initiating audit work on business and mitigating operational risks. In the meantime, the internal control department has expanded the coverage of audit work to include organizational management, 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, approaches and time frames, and ensure implementation. The internal control department would monitor and follow up the implementation of its recommendations to ensure improvements are made.

In the first half of 2018, 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, China Banking Regulatory Commission 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 2017. With emphasis on key areas of concerns and processes, the Board has a better picture of the current conditions of internal control of the Group 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 warning mechanism of substantial risks, identifying credit risk, interest rate risk, foreign exchange rate risk and liquidity risk as substantial risks, designating the internal control department as the leading department and designating the 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 risks 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 defending capability against risks. In the first half of 2018, probability of each type of substantial risks remained stable at a relatively low level as compared with last year, reflecting the effectiveness of the Group's risk management measures.

The Board, as assisted by the Audit Committee and the Risk Control Committee, assessed the effectiveness of the systems by reviewing the work and findings of the internal audit function. Based on the review results and findings of the management, Audit Committee and Risk Control Committee, the Board considered the risk management and internal control systems of the Group are adequate and effective for the first half of 2018.

Inside information

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

SHARE OPTION SCHEME

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

DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

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

1. Mr. Su Guang has served as director of COSCO Shipping Development (Hong Kong) Co., Limited since 30 March 2018; and

2. Mr. Chow has ceased to be 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 since 15 December 2017 and 31 December 2017, respectively.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at 30 June 2018, 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 as required under Rule 13.18 of the Listing Rules, there were no other matters that gave rise to a disclosure required under Rule 13.18 of the Listing Rules.

PUBLICATION OF THE INTERIM REPORT

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

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

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

To the board of directors of
Genertec Universal Medical Group Company Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 55 to 104, which comprise the interim condensed consolidated statement of financial position of Genertec Universal Medical Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong
21 August 2018

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

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	Notes	**(Unaudited)**	(Unaudited)
		RMB'000	RMB'000
REVENUE	5	**2,094,780**	1,653,892
Cost of sales		**(767,807)**	(574,295)
Gross profit		**1,326,973**	1,079,597
Other income and gains	5	**44,208**	9,949
Selling and distribution costs		**(171,216)**	(157,916)
Administrative expenses		**(128,089)**	(115,387)
Other expenses		**(70,149)**	(15,823)
Finance costs		**(68)**	(512)
PROFIT BEFORE TAX	6	**1,001,659**	799,908
Income tax expense	7	**(268,406)**	(220,993)
PROFIT FOR THE PERIOD		**733,253**	578,915
Attributable to:			
The owners of the parent		**735,532**	578,953
Non-controlling interests		**(2,279)**	(38)
		733,253	578,915
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	9	**0.43**	0.34
PROFIT FOR THE PERIOD		**733,253**	578,915

	Notes	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period		**10,175**	–
Reclassification to the consolidated statement of profit or loss		**(32,675)**	–
Income tax effect		**5,625**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(16,875)**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**716,378**	578,915
Attributable to:			
The owners of the parent		**718,657**	578,953
Non-controlling interests		**(2,279)**	(38)
		716,378	578,915

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**74,189**	86,883
Goodwill		**9,211**	9,211
Loans and accounts receivable	12	**29,490,534**	25,385,314
Prepayments, deposits and other receivables		**43,961**	111,111
Available-for-sale investments		**–**	43,961
Derivative financial assets		**16,753**	–
Deferred tax assets		**193,403**	163,876
Other assets		**5,478**	4,678
Total non-current assets		**29,833,529**	25,805,034
CURRENT ASSETS			
Inventories		**25,159**	21,045
Loans and accounts receivable	12	**10,750,573**	9,184,775
Prepayments, deposits and other receivables		**118,959**	34,126
Derivative financial assets		**16,514**	5,273
Restricted deposits	13	**259,253**	932,376
Cash and cash equivalents	13	**1,944,687**	1,749,884
Total current assets		**13,115,145**	11,927,479
CURRENT LIABILITIES			
Trade payables	14	**1,075,742**	264,697
Other payables and accruals		**726,020**	845,314
Interest-bearing bank and other borrowings	15	**15,458,296**	10,963,552
Derivative financial liabilities		**2,655**	16,844
Taxes payable		**62,487**	70,355
Total current liabilities		**17,325,200**	12,160,762
NET CURRENT LIABILITIES		**(4,210,055)**	(233,283)
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,623,474**	25,571,751

	Notes	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	**15,481,550**	15,919,143
Other payables and accruals		**2,252,168**	2,139,821
Derivative financial liabilities		**12,925**	–
Other liabilities		**43,961**	43,961
Total non-current liabilities		**17,790,604**	18,102,925
Net assets		**7,832,870**	7,468,826
EQUITY			
Equity attributable to the owners of the parent			
Share capital	16	**4,327,842**	4,327,842
Reserves	17	**3,507,082**	3,140,759
		7,834,924	7,468,601
Non-controlling interests		**(2,054)**	225
Total equity		**7,832,870**	7,468,826

Guo Weiping
Director

Peng Jiahong
Director

	Equity attributable to the owners of the parent								
	Share capital RMB'000 (Note 16)	Capital reserve* RMB'000 (Note 17)	Statutory reserve* RMB'000 (Note 17)	Exchange fluctuation reserve* RMB'000 (Note 17)	Hedging reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2017 (Audited)	4,327,842	33,302	399,326	29,248	–	2,678,883	7,468,601	225	7,468,826
Changes in accounting policies									
Impact of adopting HKFRS 9 (Note 2.2)	–	–	–	–	–	(15,541)	(15,541)	–	(15,541)
At 1 January 2018	4,327,842	33,302	399,326	29,248	–	2,663,342	7,453,060	225	7,453,285
Profit for the period	–	–	–	–	–	735,532	735,532	(2,279)	733,253
Other comprehensive income									
Cash flow hedges, net of tax	–	–	–	–	(16,875)	–	(16,875)	–	(16,875)
Total comprehensive income for the period	–	–	–	–	(16,875)	735,532	718,657	(2,279)	716,378
Dividends (Note 8)	–	–	–	–	–	(336,793)	(336,793)	–	(336,793)
At 30 June 2018 (Unaudited)	4,327,842	33,302	399,326	29,248	(16,875)	3,062,081	7,834,924	(2,054)	7,832,870

* These reserve accounts comprise the consolidated reserves of RMB3,507,082,000 (31 December 2017: RMB3,140,759,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Equity attributable to the owners of the parent							
	Share capital RMB'000 (Note 16)	Capital reserve RMB'000 (Note 17)	Statutory reserve RMB'000 (Note 17)	Exchange fluctuation reserve RMB'000 (Note 17)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017 (Audited)	4,327,842	33,302	278,201	29,248	1,905,798	6,574,391	–	6,574,391
Profit for the period	–	–	–	–	578,953	578,953	(38)	578,915
Total comprehensive income for the period	–	–	–	–	578,953	578,953	(38)	578,915
Acquisition of a subsidiary	–	–	–	–	–	–	213	213
Dividends	–	–	–	–	(254,448)	(254,448)	–	(254,448)
At 30 June 2017 (Unaudited)	4,327,842	33,302	278,201	29,248	2,230,303	6,898,896	175	6,899,071

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,001,659**	799,908
Adjustments for:			
Finance costs	6	**699,749**	536,503
Interest income	5	**(24,924)**	(4,911)
Derivative instruments – transactions not qualifying as hedges:			
Unrealised fair value (gains)/losses, net	6	**(19,083)**	1,610
Realised fair value losses, net	6	**15,478**	–
Depreciation and amortisation		**16,819**	12,270
Interest income from available-for-sale investments		**–**	(4,902)
Provision for impairment of loans and accounts receivable and other receivables	6	**19,637**	22,487
Foreign exchange losses, net		**89,812**	889
		1,799,147	1,363,854
Increase in inventories		**(4,114)**	(5,201)
Increase in loans and accounts receivable		**(5,709,375)**	(2,807,119)
Decrease/(increase) in prepayments, deposits and other receivables		**47,281**	(9,252)
(Increase)/decrease in amounts due from related parties		**(2,751)**	5,678
Increase in other assets		**(800)**	(574)
Increase in trade payables		**810,292**	11,071
Decrease in other payables and accruals		**(98,984)**	(136,436)
Increase/(decrease) in amounts due to related parties		**2,487**	(1,532)
Net cash flows used in operating activities before tax and interest		**(3,156,817)**	(1,579,511)
Interest received		**24,924**	4,911
Income tax paid		**(293,895)**	(255,844)
Net cash flows used in operating activities		**(3,425,788)**	(1,830,444)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayments of investments		**–**	8,359
Realised losses on derivative financial instruments not qualifying as hedges	6	**(15,478)**	–
Interest income from available-for-sale investments		**–**	4,902
Decrease/(increase) in time deposits		**410,104**	(538,401)
Acquisition of a subsidiary		**–**	(11,035)
Cash paid for acquisition of property, plant and equipment and other non-current assets		**(4,203)**	(7,412)
Net cash flows from/(used in) investing activities		**390,423**	(543,587)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from new borrowings		**10,460,661**	6,288,204
Repayments of borrowings		**(6,502,146)**	(3,555,233)
Cash paid for restricted deposits		**(97,601)**	(321,888)
Decrease in restricted deposits		**360,620**	170,002
Interest paid		**(630,348)**	(590,633)
Dividends paid		**(336,793)**	(254,448)
Net cash flows from financing activities		**3,254,393**	1,736,004
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**219,028**	(638,027)
Cash and cash equivalents at beginning of the period		**1,749,884**	1,272,458
Effect of exchange rate changes on cash and cash equivalents		**(24,225)**	(24,909)

	Notes	For the six months ended 30 June **2018** **(Unaudited)** **RMB'000**	 2017 (Unaudited) RMB'000
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**1,944,687**	609,522
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,203,940**	981,314
Less: restricted deposits		**(259,253)**	(371,792)
Cash and cash equivalents as stated in the statement of financial position	13	**1,944,687**	609,522
Cash and cash equivalents as stated in the statement of cash flows	13	**1,944,687**	609,522

1. CORPORATE INFORMATION

Genertec Universal Medical Group Company Limited (the "Company") is a limited liability company which was incorporated in Hong Kong on 19 April 2012. Pursuant to the special resolutions of shareholders dated 6 February 2015 and 10 June 2015, respectively, the Company changed its name from Universal International Leasing Co., Limited to Universal Medical Services & Health Management Company Limited with effect from 17 February 2015 and then to Universal Medical Financial & Technical Advisory Services Company Limited with effect from 11 June 2015. Pursuant to the special resolution of shareholders dated 6 June 2018, the Company changed its name from Universal Medical Financial & Technical Advisory Services Company Limited to Genertec Universal Medical Group Company Limited with effect from 9 July 2018. 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") is principally engaged in the provision of financing to its customers under finance lease arrangements, the provision of advisory services, the sale of medical equipment, the provision of medical equipment leases under operating lease arrangements, and the provision of other services as approved by the Ministry of Commerce of the People's Republic of China (the "PRC") in Mainland China.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 are prepared in accordance with HKAS 34.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRs") and included in the 2017 annual report of the Company.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies

Standards, amendments and interpretations effective in 2018

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 December 2017.

On 1 January 2018, the Group adopted the following new standard, amendments and interpretation.

Amendments to HKAS 40	*Transfers of Investment Property*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15 and Amendments	*Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to HKFRSs 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

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

The Group has applied, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments.* As required by HKAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

Standards, amendments and interpretations effective in 2018 (Continued)

HKFRS 9 – Financial Instruments

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.

Classification and measurement

Under HKFRS 9, financial assets are classified into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the financial assets and their contractual cash flow characteristics. In addition, investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to profit or loss in the future.

Business model

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are classified as part of "other" business model. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Characteristics of the contractual cash flows

The assessment of the characteristics of the contractual cash flows aims to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

Standards, amendments and interpretations effective in 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

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 applies 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 lease receivables.

Hedge accounting

The new hedge accounting model aims to provide a better link among an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, HKFRS 9 includes an accounting policy choice to remain with HKAS 39 hedge accounting. The Group chose to adopt the new hedge accounting requirements in HKFRS 9 from 1 January 2018.

The impacts of transition to HKFRS 9

Considering the impact of this standard on the consolidated financial statements, the Group recorded an adjustment to 1 January 2018 shareholders' equity at the adoption date, but did not restate comparative periods. The impact of the Group's adoption of HKFRS 9 is disclosed as follows:

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

Standards, amendments and interpretations effective in 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

The impacts of transition to HKFRS 9 (Continued)

Transition disclosures of the balances in financial statements from HKAS 39 to HKFRS 9

A reconciliation of the carrying amounts under HKAS 39 to the balances reported under HKFRS 9 as of 1 January 2018 is as follows:

	HKAS 39 measurement		Re-classification	Remeasurement		HKFRS 9	
	Category	Amount		ECL	Other	Amount	Category
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets							
Loans and accounts receivable	L&R	34,570,089	–	(20,722)	–	34,549,367	AC
Financial assets included in prepayments, deposits and other receivables	L&R	145,237	43,961	–	–	189,198	AC
From: Available-for-sale investments		–	43,961	–	–	43,961	AC
Restricted deposits	L&R	932,376	–	–	–	932,376	AC
Available-for-sale investments	AFS	43,961	(43,961)	–	–	–	
To: Prepayments, deposits and other receivables		–	(43,961)	–	–	–	
Derivative financial assets	FVPL	5,273	–	–	–	5,273	FVPL
Cash and cash equivalents	L&R	1,749,884	–	–	–	1,749,884	AC
Non-financial assets							
Include: Deferred tax assets	N/A	285,693	–	5,181	–	290,874	N/A
Total assets		37,732,513	–	(15,541)	–	37,716,972	
Financial liabilities:							
Trade payables	AC	264,697	–	–	–	264,697	AC
Financial liabilities included in other payables and accruals	AC	2,985,135	–	–	–	2,985,135	AC
Derivative financial liabilities	FVPL	16,844	–	–	–	16,844	FVPL
Interest-bearing bank and other borrowings	AC	26,882,695	–	–	–	26,882,695	AC
Non-financial liabilities							
Include: Deferred tax liabilities	N/A	114,316	–	–	–	114,316	N/A
Total liabilities		30,263,687	–	–	–	30,263,687	

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

Standards, amendments and interpretations effective in 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

The impacts of transition to HKFRS 9 (Continued)

Transition disclosures of the balance in financial statements from HKAS 39 to HKFRS 9 (Continued)

Note: L&R Loans and receivables
AFS Available for sale
AC Amortised cost
FVPL Fair value through profit or loss
ECL Expected credit loss

The impact of transition from HKAS 39 to HKFRS 9 on other comprehensive income and retained profits is as follows:

	Other comprehensive income and retained earnings RMB'000
Other comprehensive income	
Closing balance under HKAS 39 at 31 December 2017	29,248
Opening balance under HKFRS 9 at 1 January 2018	29,248
Retained profits	
Closing balance under HKAS 39 at 31 December 2017	7,468,601
Recognition of HKFRS 9 ECLs	(20,722)
Income tax in relation to the above	–
Deferred tax in relation to the above	5,181
Opening balance under HKFRS 9 at 1 January 2018	7,453,060
Total change in equity due to adopting HKFRS 9	15,541

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

Standards, amendments and interpretations effective in 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

The impacts of transition to HKFRS 9 (Continued)

The impact of transition to HKFRS 9 on provision allowances is as follows:

The following table reconciles the aggregate opening loan loss provision allowances under HKAS 39 at 31 December 2017 to the ECL allowances under HKFRS 9 at 1 January 2018:

Measurement Category	Loss provision under HKAS 39 at 31 December 2017	Re-measurement	ECLs under HKFRS 9 at 1 January 2018
	RMB'000	RMB'000	RMB'000
L&R per HKAS 39/financial assets at AC under HKFRS 9			
Loans and accounts receivable	518,397	20,722	539,119
Total	518,397	20,722	539,119

HKFRS 15 – Revenue from Contracts with Customers

The Group adopted HKFRS 15 *Revenue from Contracts with Customers* on its effective date of 1 January 2018. The Group adopted the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2018. Since the Group's current practice is in line with the clarifications issued, there is no significant effect on its financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing the condensed consolidated financial statements, the significant judgement made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017 other than those relating to HKFRS 9 which was first adopted on 1 January 2018.

Management believes that the Group's critical accounting estimates and judgements are those which relate to classification between finance leases and operating leases, impairment of non-financial assets (other than goodwill), deferred tax assets, provision for loans and accounts receivables and fair value of financial instruments. The implementation of HKFRS 9 resulted in a change to the assessment of the critical accounting estimates and judgements related to provision for loans and accounts receivable.

The Group follows the guidance of HKFRS 9 to determine provision for loans and accounts receivable. Provision for loans and accounts receivable is made based on the assessment of the expected losses of loans and accounts receivable. The assessment of the expected losses of loans and accounts receivable 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 measure the expected losses based on credit risk characteristic, the collection history of lessees and expected further change of credit risks, including the consideration of factors such as industry or geographical location of each lessor.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

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

Information about a major customer

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

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 value added tax, during the period.

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Finance lease income	**1,507,885**	1,196,430
Service fee income	**532,757**	419,721
Operating lease income	**4,700**	10,287
Sale of goods	**62,025**	34,369
Others	**115**	2,202
Tax and surcharges	**(12,702)**	(9,117)
	2,094,780	1,653,892
Other income and gains		
Interest income from bank deposits	**24,924**	4,911
Interest income from available-for-sale investments	**–**	4,902
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value gains, net	**19,083**	–
Others	**201**	136
	44,208	9,949

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	**699,749**	536,503
Cost of inventories sold	**55,422**	28,188
Cost of operating leases	**12,636**	9,604
Depreciation and amortisation recognised as an expense	**4,183**	2,666
Rental expenses	**13,516**	11,214
Employee benefit expense		
(including directors' remuneration)		
– Wages and salaries	**186,823**	163,607
– Pension scheme contributions	**16,735**	11,935
– Other employee benefits	**14,144**	11,131
	217,702	186,673
Impairment of loans and accounts receivable		
and other receivables	**19,637**	22,487
Foreign exchange losses, net	**53,561**	14,882
Derivative instruments		
– transactions not qualifying as hedges		
– unrealised fair value (gains)/losses, net	**(19,083)**	1,610
– realised fair value losses/(gains), net	**15,478**	(787)

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China		
Charge for the period	**285,066**	232,367
underprovision in prior years	**2,061**	2,661
Deferred tax	**(18,721)**	(14,035)
Total tax charge for the period	**268,406**	220,993

Hong Kong profits tax is provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate of 25% (six months ended 30 June 2017: 25%) on the estimated assessable profits for the six months ended 30 June 2018, 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.

7. INCOME TAX EXPENSE (CONTINUED)

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	**1,001,659**	799,908
At PRC statutory income tax rate of 25%	**250,415**	199,977
Expenses not deductible for tax purpose	**2,526**	1,585
Income not subject to tax	**(13,186)**	–
Adjustment on current income tax in respect of prior years	**2,061**	2,661
Unrecognised tax losses	**14,661**	7,611
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**11,929**	9,159
Income tax expense as reported in the condensed consolidated statement of profit or loss	**268,406**	220,993

8. DIVIDENDS

A final dividend of HK$0.24 per share totalling HK$411,913,000 (equivalent to RMB336,793,000) in respect of the year ended 31 December 2017 had been approved at the annual general meeting of the Company held on 5 June 2018 and was paid on 25 June 2018.

The board of directors resolved not to declare any interim dividend to shareholders in respect of the period for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

Basic earnings per share for the six months ended 30 June 2018 and 2017 are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the respective periods.

The calculation of basic earnings per share is based on:

Earnings

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**735,532**	578,953

Shares

	Number of shares	
	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**1,716,304,580**	1,716,304,580

Diluted earnings per share for the six months ended 2018 and 2017 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment at a total cost of RMB3,064,000 (six months ended 30 June 2017: RMB6,099,000). No property, plant and equipment of the Group was disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

11. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2018 (Unaudited) RMB'000
Assets as per the statement of financial position	
Financial assets at amortised costs:	
Loans and accounts receivable	**40,241,107**
Financial assets included in prepayments, deposits and other receivables	**47,172**
Restricted deposits	**259,253**
Cash and cash equivalents	**1,944,687**
Financial assets at fair value through profit or loss:	
Derivative financial assets	**17,172**
Hedging instruments designated in cash flow hedges:	
Derivative financial instruments designated as cash flow hedging	**16,095**
Total	**42,525,486**
Liabilities as per the statement of financial position	
Financial liabilities at amortised costs:	
Trade payables	**1,075,742**
Financial liabilities included in other payables and accruals	**2,506,280**
Interest-bearing bank and other borrowings	**30,939,846**
Financial liabilities at fair value through profit or loss:	
Derivative financial liabilities	**9,660**
Hedging instruments designated in cash flow hedges:	
Derivative financial instruments designated as cash flow hedging	**5,920**
Total	**34,537,448**

12. LOANS AND ACCOUNTS RECEIVABLE

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Loans and accounts receivable due within one year	**10,750,573**	9,184,775
Loans and accounts receivable due after one year	**29,490,534**	25,385,314
	40,241,107	34,570,089

12a. Loans and accounts receivable by nature

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Gross lease receivables (note 12b)*	**47,900,909**	41,226,465
Less: Unearned finance income	**(7,167,666)**	(6,205,173)
Net lease receivables (note 12b)*	**40,733,243**	35,021,292
Accounts receivable (note 12d)*	**67,178**	67,752
Less:		
Provision for accounts receivable (note 12c)	**(410)**	(558)
Provision for lease receivables (note 12c)	**(558,904)**	(518,397)
	40,241,107	34,570,089

* These balances included balances with related parties which are disclosed in note 12e to the interim condensed consolidated financial statements.

12. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

12b (1). An ageing analysis of lease receivables, determined based on the age of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Gross lease receivables		
Within 1 year	**23,012,844**	19,456,422
1 to 2 years	**14,379,165**	13,664,716
2 to 3 years	**8,347,702**	5,834,517
3 years and beyond	**2,161,198**	2,270,810
Total	**47,900,909**	41,226,465
Net lease receivables		
Within 1 year	**19,150,180**	16,229,377
1 to 2 years	**12,342,700**	11,654,265
2 to 3 years	**7,302,895**	5,084,218
3 years and beyond	**1,937,468**	2,053,432
Total	**40,733,243**	35,021,292

12. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

12b (2). The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following consecutive accounting years:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Gross lease receivables		
Due within 1 year	**13,499,601**	11,566,541
Due in 1 to 2 years	**12,591,000**	10,597,208
Due in 2 to 3 years	**10,706,272**	9,227,610
Due after 3 years and beyond	**11,104,036**	9,835,106
Total	**47,900,909**	41,226,465
Net lease receivables		
Due within 1 year	**10,892,890**	9,304,757
Due in 1 to 2 years	**10,351,223**	8,696,021
Due in 2 to 3 years	**9,331,899**	8,024,276
Due after 3 years and beyond	**10,157,231**	8,996,238
Total	**40,733,243**	35,021,292

12. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

12c. Change in provision for lease receivables and accounts receivable

The Group has applied the simplified approach to providing for expected credit losses prescribed by HKFRS 9 from 1 January 2018, which permits the use of the lifetime expected loss provision for lease receivables. To measure the expected losses, lease receivables have been grouped based on similar credit risk characteristics. The expected credit losses below also incorporate forward looking information. The Group has performed historical analysis and identified industry or geographical location of each lessor as the key economic variable impacting credit risk and expected credit losses.

Provision for lease receivables

The loss allowance provisions as of 30 June 2018 are determined as follows:

	Pass (Unaudited) RMB'000	Special Mention (Unaudited) RMB'000	Substandard (Unaudited) RMB'000	Doubtful (Unaudited) RMB'000	Loss (Unaudited) RMB'000	Total (Unaudited) RMB'000
1 January 2018						
Expected loss rate	**0.97%**	**2.96%**	**27.78%**	**83.29%**	**–**	**1.54%**
Provision	**285,709**	**154,444**	**64,245**	**34,721**	**–**	**539,119**
Net lease receivables	**29,537,050**	**5,211,287**	**231,269**	**41,686**	**–**	**35,021,292**
30 June 2018						
Expected loss rate	**0.88%**	**2.47%**	**27.32%**	**83.29%**	**–**	**1.37%**
Provision	**301,047**	**151,084**	**72,052**	**34,721**	**–**	**558,904**
Net lease receivables	**34,305,294**	**6,122,561**	**263,702**	**41,686**	**–**	**40,733,243**

12. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

12c. Change in provision for lease receivables and accounts receivable (Continued)

Provision for lease receivables (Continued)

The loss allowance provisions as of 30 June 2017 and 31 December 2017 are determined as follows:

	Individually assessed		Collectively assessed		Total	
	30 June 2017 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
At beginning of the period/year	88,557	88,557	316,031	316,031	404,588	404,588
Charge for the period/year	2,846	10,409	19,165	103,400	22,011	113,809
At end of the period/Year	91,403	98,966	335,196	419,431	426,599	518,397

Note: As at 30 June 2018, the amount of the gross lease receivables pledged as security for the Group's borrowings was RMB6,437,355,000 (31 December 2017: RMB4,080,017,000).

Provision for accounts receivable

	At beginning of period/year RMB'000	Acquisition of a subsidiary RMB'000	Provision RMB'000	Reverse RMB'000	Other decrease RMB'000	At end of period/year RMB'000
30 June 2018	**558**	**–**	**–**	**(148)**	**–**	**410**
31 December 2017	–	700	–	(142)	–	558

12. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

12d. An ageing analysis of accounts receivable, determined based on the age of receivables since the recognition date, as at the end of the reporting period is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 1 year	**63,561**	63,818
More than 1 year	**3,617**	3,934
Total	**67,178**	67,752

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

12e. Balances with related parties

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

Name		30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Gross lease receivables:			
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	(i)	**3,214**	–
Net lease receivables:			
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	(i)	**2,877**	–
Accounts receivable:			
China National Instruments Import & Export (Group) Corporation	(ii)	**1,805**	1,805

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

(i) The balances of the net lease receivables bore interest at the annual interest rates of 5.70%.

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

13. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Cash and bank balances	**2,063,774**	1,831,990
Time deposits	**140,166**	850,270
	2,203,940	2,682,260
Less:		
Pledged deposits and restricted bank deposits related to asset-backed securitisations	**(140,087)**	(403,106)
Time deposits with original maturity of more than three months	**(119,166)**	(529,270)
Cash and cash equivalents	**1,944,687**	1,749,884

As at 30 June 2018, the cash and bank balances of the Group denominated in RMB amounted to RMB1,893,835,000 (31 December 2017: RMB1,728,774,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2018, cash of RMB119,633,000 (31 December 2017: RMB346,741,000) was pledged for bank and other borrowings.

As at 30 June 2018, cash of RMB20,454,000 (31 December 2017: RMB56,365,000) 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 24. The cash collected by the Group from the associated finance lease contracts of the securitisations has to be passed on to the investors of the asset-backed securities without material delay.

As at 30 June 2018, cash of RMB223,039,000 (31 December 2017: RMB130,955,000) was deposited with Genertec Finance Co., Ltd., which is a related party.

14. TRADE PAYABLES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Trade payables	**1,074,866**	264,574
Due to related parties (note 14a)	**876**	123
	1,075,742	264,697

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

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 1 year	**1,058,992**	246,141
1 to 2 years	**4,979**	7,708
2 to 3 years	**4,890**	2,199
Over 3 years	**6,881**	8,649
	1,075,742	264,697

14. TRADE PAYABLES (CONTINUED)

14a. Balances with related parties

Particulars of amounts due to related parties are as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Trade payables:		
General Technology Group International Logistic Company Limited	**71**	39
Genertec Italia s.r.l.	**805**	84
	876	123

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.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – secured	4.35~4.57	2018~2019	130,500	4.35~5.35	2018	314,401
Bank loans – unsecured	2.17~5.22	2018~2019	2,374,996	2.17~5.00	2018	2,734,863
Current portion of long-term bank loans:						
– secured	4.28~5.70	2018~2019	701,306	4.28~5.23	2018	731,818
– unsecured	3.66~5.94	2018~2019	2,986,670	4.29~4.99	2018	1,972,736
Current portion of long-term other loans:						
– unsecured	5.00	2018~2019	1,500,000	5.00	2018	600,000
Finance lease payables						
– secured	4.75~5.04	2018~2019	776,740	4.75~4.83	2018	99,694
Bonds payables						
– secured	5.50~6.43	2018~2019	406	5.20	2018	218,910
– unsecured	4.08~5.50	2018~2019	6,487,678	4.69~4.90	2018	2,291,130
Due to a related party						
– unsecured	4.35	2018~2019	500,000	4.35~4.75	2018	2,000,000
			15,458,296			10,963,552
Non-current:						
Bank loans – secured	4.28~5.70	2019~2023	1,226,911	4.28~5.23	2019~2022	663,921
– unsecured	2.50~5.94	2019~2021	7,999,874	2.70~5.23	2019~2020	8,367,632
Other loans – unsecured	–	–	–	5.00	2019	900,000
Bonds payable						
– secured	5.50~6.43	2020	546,035	5.50~6.43	2020	546,169
– unsecured	3.13~6.50	2021~2023	3,536,170	3.13~4.08	2019~2021	3,045,939
Finance lease payables						
– secured	4.75~5.04	2020~2023	1,172,560	4.75~4.83	2020	1,395,482
Due to a related party						
– unsecured	4.75	2019	1,000,000	4.75	2019	1,000,000
			15,481,550			15,919,143
			30,939,846			26,882,695

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**6,193,472**	5,753,818
In the second year	**3,536,327**	3,268,298
In the third to fifth years, inclusive	**5,690,458**	5,763,255
	15,420,257	14,785,371
Other borrowings repayable:		
Within one year	**9,264,824**	5,209,734
In the second year	**2,367,111**	2,441,980
In the third to fifth years, inclusive	**3,762,654**	4,445,610
Above five years	**125,000**	–
	15,519,589	12,097,324
	30,939,846	26,882,695

Notes:

(a) As at 30 June 2018, the Group's bank and other borrowings secured by lease receivables, cash and bank balances and time deposits were RMB4,554,458,000 (31 December 2017: RMB3,970,395,000); the Group's bank and other borrowings secured by cash and bank balances and time deposits amounted to RMB130,500,000 (2017: RMB1,001,045,000).

(b) In May 2015, the Company's wholly-owned subsidiary, China Universal Leasing Co., Ltd. ("CULC") issued a batch of leasing assets-backed securities with an aggregate principal amount of RMB1,141,858,000 to institutional investors through an asset management plan. The asset-backed securities have four senior tranches and one subordinated tranche. The Group received proceeds of RMB912,000,000 from the senior tranches which have expected annualised yields ranging from 4.80% to 6.43% and maturity periods from one year to five years. The subordinated tranche amounting to RMB229,858,000 was purchased by CULC itself and thus no proceeds were received. As at 30 June 2018, the amortised cost of the debt securities issued amounted to RMB546,441,000 (31 December 2017: RMB765,079,000).

(c) As at 30 June 2018, the Group's borrowing of RMB1,500,000,000 (31 December 2017: RMB3,000,000,000) was from Genertec Finance Co., Ltd., which is a related party.

16. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
Issued and fully paid ordinary shares	**1,716,304,580**	1,716,304,580	**4,327,842**	4,327,842

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

	Number of shares in issue	Share capital RMB'000
As at 1 January 2018 and 31 December 2017 (Audited)	1,716,304,580	4,327,842
As at 30 June 2018 (Unaudited)	1,716,304,580	4,327,842
As at 1 January 2017 and 31 December 2016 (Audited)	1,716,304,580	4,327,842
As at 31 December 2017 (Audited)	1,716,304,580	4,327,842

17. RESERVES

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

Capital reserve

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

17. RESERVES (CONTINUED)

Statutory reserve

Pursuant to the relevant laws and regulations and the articles of association of the subsidiaries of the Company in the PRC, if a subsidiary is registered as a Sino-foreign joint venture, it is required to, at the discretion of the board of directors, transfer a portion of its profit after taxation reported in its statutory financial statements prepared under the applicable PRC accounting standards to the statutory surplus reserve.

If a subsidiary is registered as a wholly-foreign invested enterprise or a domestic limited liability company, it is required to appropriate 10% of each year's statutory net profits to the statutory surplus reserve according to the PRC accounting standards and regulations (after offsetting previous years' losses) to the statutory surplus reserve. The PRC subsidiary may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contribution to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors. The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to owners. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the PRC subsidiary. The statutory reserve can be transferred to paid-in capital, provided that the balance of the statutory surplus reserve after this transfer is not less than 25% of its registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with a functional currency other than RMB.

18. CONTINGENT LIABILITIES

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

19. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in notes 12, 13 and 15 to the interim condensed consolidated financial statements.

20. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its medical equipment under operating lease arrangements, with leases negotiated for terms of more than five years.

Under the lease contracts, all rentals that the Group receives are contingent rentals based on the monthly gross or net income generated by the medical equipment.

(b) As lessee

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

As at 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within one year	**21,737**	32,685
In the second to fifth years, inclusive	**18,859**	22,797
Over five years	**2,601**	3,135
	43,197	58,617

21. COMMITMENTS

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

(a) Capital commitments

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted, but not provided for	**602**	2,377

(b) Credit commitments

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Credit commitments	**887,000**	1,528,274

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

22. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 12, 13, 14 and 15 to the interim condensed consolidated financial statements, the Group had the following material transactions and balances with related parties during the reporting period.

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

Genertec Group was established in 1988 and is a wholly-state-owned company. Genertec Group's businesses principally cover five sectors, including equipment manufacturing, trade and engineering contracting, pharmaceutical industry, technical services and consultancy, as well as construction and real estate. Genertec Group is one of the major shareholders of the Company.

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

(i) Prepayments, deposits and other receivables

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Due from related parties		
General Technology Group Property Management Ltd.	**994**	994
Genertec Italia s.r.l.	**–**	743
Paryocean Properties Co., Ltd.	**506**	251
China National Corporation For Overseas Economic Cooperation	**112**	112
China National Instruments Import & Export (Group) Corporation	**400**	38
	2,012	2,138

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

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(ii) Other payables and accruals

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Due to a related party		
Genertec Finance Co., Ltd.	**1,781**	47
	1,781	47

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

(iii) Interest income from cash in a bank

	For the six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Genertec Finance Co., Ltd	**2,685**	2,094

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

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iv) Purchases of products and leased assets from related parties

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Genertec Italia s.r.l.	**2,029**	803
China National Instruments Import & Export (Group) Corporation	**400**	–

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

(v) Rental expenses

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
China National Corporation for Overseas Economic Cooperation	**674**	–
China General Technology (Group) Holding, Ltd.	**1,656**	1,656
General Technology Group Property Management Ltd	**5,395**	5,250
Paryocean Properties Co., Ltd.	**344**	320

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

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(vi) Interest expense on borrowings

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Genertec Finance Co., Ltd.	**60,018**	33,766

The interest expenses were charged at rates from 4.35% to 4.75% per annum.

(vii) Finance lease income

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	**131**	–

The finance lease income was received at a rate of 5.70% per annum.

(viii) Transportation expense

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Genertec International Logistics Co., Ltd.	**32**	83

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

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with other government-related entities

The largest shareholder of the Company is a state-owned enterprise. In accordance with HKAS 24 "Related Party Disclosures", government-related entities include entities that are directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government. On this basis, related parties include other government-related entities, in addition to Genertec Group and companies under Genertec Group.

During the reporting period, the Group's significant transactions with other government-related entities constituted a large portion of finance lease services and advisory services. In addition, substantially all restricted deposits, cash and cash equivalents and borrowings as at 30 June 2018 and 31 December 2017 and the relevant interest earned and paid during the six months ended 30 June 2018 and 2017 were transacted with banks and other financial institutions which are controlled by the PRC government.

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term employee benefits	**3,996**	3,727
Total compensation	**3,996**	3,727

23. TRANSFERS OF FINANCIAL ASSETS

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by transferring lease receivables to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated lease receivables by evaluating the extent to which it retains the risks and rewards of the assets.

As at 30 June 2018, lease receivables with an original carrying amount of RMB543,513,000 (31 December 2017: RMB543,513,000) have been securitised by the Group under arrangements in which the Group retained continuing involvement in such assets. As at 30 June 2018, the carrying amount of assets that the Group continued to recognise was RMB43,961,000 (31 December 2017: RMB43,961,000) 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 (31 December 2017: RMB43,961,000).

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value on the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivable, financial assets included in deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings.

Cash and cash equivalents, restricted deposits, accounts receivable and current portion of financial assets included in deposits and other receivables, trade payables, short-term borrowings and current portion of financial liabilities included in other payables and accruals

Substantially all of the financial assets and liabilities mature within one year from the end of each reporting period and their carrying values approximate to their fair values.

Lease receivables and long-term interest-bearing bank and other borrowings excluding bonds issued

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

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

Financial instruments not measured at fair value (Continued)

Bonds issued

The fair value of the bonds was calculated based on quoted market prices or a discounted cash flow model that is based on a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued which are included in interest-bearing bank and other borrowings not presented at fair values on the statement of financial position.

	Carrying amounts		**Fair values**	
	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
Bonds issued	**10,570,289**	6,102,148	**10,451,454**	5,916,870

Non-current portion of financial assets included in deposits and other receivables, and non-current portion of financial liabilities included in other payables and accruals

The fair values of non-current portion of financial assets included in deposits and other receivables, and the fair values of non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The difference between the carrying amounts and fair values of those financial assets and liabilities is not significant.

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

Financial instruments measured at fair value

Interest rate swap contracts

Interest rate swaps are 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.

Non-deliverable cross-currency swaps

Non-deliverable cross-currency swaps are 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, foreign exchange spot and forward rates and interest rate curves.

Foreign exchange rate swap contracts

Foreign exchange rate swaps are 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 values of the asset-backed securities recognised as prepayments, deposits and other receivables are measured using discounted cash flow analysis that calculates the fair values based on valuation inputs such as the default rate, loss given default, prepayment rate and yield of the securities' underlying assets. These inputs require an assessment of the securities' underlying assets.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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

Fair value hierarchy (Continued)

The fair value of the asset-backed securities is based on unobservable inputs which include the default rate, loss given default, and prepayment rate and yield of the securities' underlying assets. As at 30 June 2018, fair value changes resulting from changes in the unobservable inputs were not significant.

Assets and liabilities measured at fair value:

As at 30 June 2018 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Interest rate swap contracts	**–**	**2,710**	**–**	**2,710**
– Foreign exchange rate swap contracts	**–**	**30,557**	**–**	**30,557**
Prepayments, deposits and other receivables				
– Asset-backed securities	**–**	**–**	**43,961**	**43,961**

As at 31 December 2017 (Audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments				
– Interest rate swap contracts	–	5,273	–	5,273
Available-for-sale investments				
– Asset-backed securities	–	–	43,961	43,961

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 30 June 2018 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial debts				
– Interest rate swap contracts	–	163	–	163
– Foreign exchange rate swap contracts	–	13,947	–	13,947
– Non-deliverable cross-currency swaps	–	1,470	–	1,470
Bonds issued	9,964,468	486,986	–	10,451,454

As at 31 December 2017 (Audited)

	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

During the six months ended 30 June 2018, there were no transfers at fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (year ended 31 December 2017: Nil).

25. EVENTS AFTER THE REPORTING PERIOD

On 9 August 2018, the Company entered into the Cooperation Agreement with the Health and Family Planning Commission of Handan and Handan First Hospital in connection with the joint establishment and operation of the new east district (the "New East District") of Handan First Hospital (the "Project"), which will be a new branch of Handan First Hospital. Pursuant to the Cooperation Agreement, the Company has agreed to (i) establish a wholly-owned project company (the "Project Company") to construct the New East District (the "Project Construction"), provide a total amount of no more than RMB2 billion in cash to fund the Project Construction, and participate in the management and operation of Handan First Hospital (including the New East District) by nominating two members by the Company in the supervisory committee; and (ii) through the Project Company, make a capital contribution of no more than RMB28 million to establish a company with Handan First Hospital to provide medical supplies procurement services to Handan First Hospital (including the New East District)."

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 21 August 2018.

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通用環球醫療集團有限公司
GENERTEC UNIVERSAL MEDICAL GROUP COMPANY LIMITED