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 2019

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Vice-chairman

Mr. Zhang Yichen *(Chairman)*
Ms. Peng Jiahong *(Vice-chairwoman)*

Executive Directors

Ms. Peng Jiahong
(Chief Executive Officer, Chief Financial Officer)
Mr. Yu Gang

Non-executive Directors

Mr. Zhang Yichen
Ms. Liu Kun
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. Liu Zhiyong
Mr. Han Demin

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

Ms. Peng Jiahong *(Chairwoman)*
Mr. Zhang Yichen
Ms. Liu Kun

RISK CONTROL COMMITTEE

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

COMPANY SECRETARY

Ms. Lui Mei Yan Winnie*
Ms. Cheng Pik Yuk#

AUTHORISED REPRESENTATIVES

Ms. Peng Jiahong
Ms. Lui Mei Yan Winnie*
Ms. Cheng Pik Yuk#

REGISTERED OFFICE

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SHARE REGISTRAR

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Investor Services Limited
Shops 1712-1716, 17th Floor
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Wan Chai
Hong Kong

AUDITOR

Ernst & Young

LEGAL ADVISER

Wilson Sonsini Goodrich & Rosati

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

www.universalmsm.com

STOCK CODE

2666

* Appointed with effect from 5 June 2019
\# Resigned with effect from 5 June 2019

"Ansteel Group"	Ansteel Group Corporation Limited (鞍鋼集團有限公司), a state-owned enterprise established in the PRC in May 2010
"Ansteel General Hospital"	Ansteel Group General Hospital (鞍鋼集團公司總醫院), a leading comprehensive Grade III Class A hospital in Anshan City, Liaoning Province, the PRC
"Articles"	the Company's articles of association
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"CEC Caihong"	CEC Caihong Group Co., Ltd. (咸陽中電彩虹集團控股有限公司)
"CG Code"	the "Corporate Governance Code" contained in Appendix 14 to the Listing Rules
"China Minmetals"	China Minmetals Corporation (中國五礦集團有限公司)
"CNSG Group"	China National Salt Industry Group Co., Ltd. (中國鹽業集團有限公司)
"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
"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
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"CR State Asset"	China Railway State Asset Management Co., Ltd. (中鐵國資資產管理有限公司)
"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, and one of the controlling shareholders of the Company.
"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 under the direct administration of the PRC central government, and one of the controlling shareholders of the Company.
"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
"Hospital Investment Co., Ltd." or "Wiseman"	Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. (通用環球醫院投資管理(天津)有限公司), previously known as Wiseman Hospital Investment Management (Tianjin) Co., Ltd. (融慧濟民醫院投資管理(天津)有限公司), a wholly-owned subsidiary of the Company established in the PRC in 2015
"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
"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
"Nomination Committee"	the nomination committee of the Board
"Pangang Group"	Panzhihua Iron and Steel (Group) Company Limited (攀鋼集團有限公司), a state-owned enterprise established in the PRC in October 1989

"Pangang Mining"	Panzhihua Pangang Group Mining Company (攀鋼集團礦業有限公司), a company established in the PRC with limited liability in June 1994
"PRC" or "China"	The People's Republic of China, for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus issued by the Company on 24 June 2015
"Remuneration Committee"	the remuneration committee of the Board
"Risk Control Committee"	the risk control committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Securities Dealing Code"	the Company's own code of conduct regarding directors' and 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
"SOE"	State-owned enterprise
"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
"XD Group"	China XD Group Co., Ltd. (中國西電集團有限公司), a state-owned enterprise established in the PRC in July 1959
"XD Group Hospital"	Xi'an XD Group Hospital (西電集團醫院), a leading comprehensive Grade III Class A hospital in Xi'an City, Shaanxi Province, the PRC
"Xi'an Aero-Engine Group"	AECC Xi'an Aero-Engine Ltd. (中國航發西安航空發動機有限公司), a company incorporated in the PRC in March 1998
"Yantai Port Group"	Yantai Port Group Co., Ltd. (煙台港集團有限公司), a company incorporated under the laws of the PRC with limited liability in November 1984

CORPORATE PROFILE

Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司), along with its subsidiaries, is a diversified medical and health enterprise focusing on fast growing segment of health-related industry in China. Leveraging on modern management concepts, a team of professionals, quality medical resources, strong financial capacity and enterprise culture of generosity and industriousness, we strive to build a leading medical and health conglomerate, so as to gradually establish a health-related industry ecosphere covering patients' lifetime.

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 services and healthcare as its main business, and a Fortune 500 enterprise.

The Company has been deeply routed in medical and health sector for a long time, accumulated extensive quality medical resources around the world, established good cooperation with hundreds of well-known medical experts, and formed strategic partnerships with famous medical institutions in China, the United States, the United Kingdom, Germany, etc. By continuously expanding medical resources, we have established a unique and innovative development model and an integration development strategy for medical and health industry, focusing on medical services and, surrounding it, developing our medical finance, medical technology services, medical digitalization business, medical and elderly care services and medical health insurance in a synchronized manner.

Headquartered in Hong Kong, the Company has set up an operation center in Beijing, established relevant subsidiaries in places where major medical institutions are located and opened offices in central cities of various provinces in China such as Guangdong, Hunan, Sichuan, Henan, Shaanxi, Shandong and Heilongjiang, forming a business operating network centered on certain regions and radiating nationwide.

We will strive to firmly seize good opportunities from the medical and health industry in China. Making it our mission to promote "Healthy China" plan, we are committed to upgrading China's medical technology and management level of medical institutions to world standards by providing leading-edge technologies, advanced operation methods, scarce expert resources and insights of industry development, so as to benefit our patients with the highest quality in healthcare service and give back to society.

PERFORMANCE OVERVIEW

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating Results		
Revenue*	**3,195,355**	2,094,780
Finance and advisory business income	**2,471,613**	2,037,781
Hospital group business income	**723,742**	56,999
Cost of sales	**(1,550,366)**	(767,807)
Cost of finance and advisory business	**(914,728)**	(714,891)
Cost of hospital group business	**(635,638)**	(52,916)
Profit before tax	**1,194,015**	1,001,659
Profit for the period	**872,525**	733,253
Profit for the period attributable to ordinary shareholders of the parent	**811,985**	735,532
Basic and diluted earnings per share *(RMB)*	**0.47**	0.43
Profitability Indicators		
Return on total assets(1)	**3.33%**	3.64%
Return on equity(2)	**18.89%**	19.17%
Net interest margin(3)	**4.28%**	4.26%
Net interest spread(4)	**3.45%**	3.33%
Cost to income ratio(5)	**21.58%**	21.08%

* 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 attributable to ordinary shareholders of the parent/average balance of equity attributable to ordinary shareholders of the parent 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-bearing assets, presented on an annualised basis;

(4) Net interest spread is the difference between average yield of interest-bearing assets and average cost rate of interest-bearing liabilities. Average balance of interest-bearing 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) Cost to income ratio = (selling and distribution cost + administrative expenses)/gross profit.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Assets and Liabilities		
Total assets	**57,577,800**	47,256,927
Net interest-bearing assets	**50,662,859**	44,270,664
Total liabilities	**45,639,102**	37,000,119
Interest-bearing bank and other borrowings	**40,895,855**	32,981,989
Total equity	**11,938,698**	10,256,808
Profit for the period attributable to ordinary shareholders of the parent	**8,801,635**	8,395,611
Net assets per share *(RMB)*	**5.13**	4.89
Financial Indicators		
Debt ratio(1)	**79.27%**	78.30%
Gearing ratio(2)	**3.43**	3.22
Current ratio(3)	**1.14**	1.06
Asset Quality		
Non-performing assets ratio(4)	**0.80%**	0.81%
Provision coverage ratio(5)	**190.27%**	190.24%
Write-off of non-performing assets ratio(6)	**0.00%**	0.00%
Interest-bearing assets ratio (over 30 days)(7)	**0.77%**	0.62%

(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-bearing 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) Interest-bearing assets ratio (over 30 days) is calculated based on net interest-bearing assets (over 30 days) divided by net interest-bearing assets.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW AND PROSPECTS

In the first half of 2019, the Group made remarkable progress in terms of depth and breadth in healthcare industry, steadily implemented its development strategy and further strengthened its business foundation. Focusing on its strategic development objective of building a leading medical and health conglomerate in China, we comprehensively expanded our footprint for hospital group and stably developed our medical finance business, along with further developing medical technology services and medical digitalization business. As a result, the Group's comprehensive strength continued to be reinforced and its operating results kept growing steadily. For the reporting period, the Group recorded revenue of RMB3,195.4 million, representing an increase of 52.5% as compared to the corresponding period of the previous year; recorded profit for the period of RMB872.5 million, representing an increase of 19.0% as compared to the corresponding period of the previous year; recorded profit for the period attributable to the ordinary shareholders of the parent of RMB812.0 million, representing an increase of 10.4% as compared to the corresponding period of the previous year; and it recorded total assets of RMB57,577.8 million on 30 June 2019, representing an increase of 21.8% as compared to the end of 2018. Our assets recorded a sound growth, with leading asset quality in the industry.

1.1 Hospital Group Business

The scale of China's medical market has grown rapidly since the new medical reform, and the proportion of total health expenditure to the gross domestic product has been rising for eight consecutive years, accounting for 6.44% in 2018. Reforms of medical care, medical insurance and pharmaceutical industry kept moving forward. Government policies have been encouraging non-governmental investment in medical industry to facilitate the formation of a diverse medical investment landscape, regulating medicine circulation, improving pricing system of drug supplies and encouraging development of "Internet + Medical care". Meanwhile, the reform of medical institutions of SOEs by way of spin-off was further carried out and SOEs primarily engaging in healthcare business are encouraged by policies to integrate resources of other SOEs' medical institutions to achieve centralized management and professional operation.

In the first half of 2019, fully leveraging its strengths in resources and proactively making the most of opportunities from the market and policies, the Group carried out its business layout for hospital group on all fronts. Firstly, the Group continuously pushed forward integration and takeover of medical institutions of SOEs, and has made great progress. Secondly, the Group steadily integrated the management of cooperating medical institutions to establish a conglomerate management system. Thirdly, the Group continued its hospital investment and construction and solid implementation of its operating projects. To date, the Group's nationwide medical services network has been gradually established, and an advanced modern hospital group has begun to take shape in China.

1.1.1 Establishment of a nationwide medical services network

Since the joint issue of the Guidance on Deepening the Reform of Educational and Medical Institutions of State-owned Enterprises (Guo Zi Fa Gai Ge [2017] No.134) by six ministries and commissions including the State-owned Assets Supervision and Administration Commission of the State Council, seizing the policy opportunity, the Group has actively approached several state-owned groups and their quality hospitals to participate in the integration and takeover of their medical institutions through formation of joint ventures and open market bidding, and has made great progress. We have been building up a tightly-knit medical network surrounding key regions and cities across the country, and gradually establishing a number of regional medical centers in the country, laying a solid foundation for building a nationwide medical and health conglomerate with synergic advantages.

As of 30 June 2019, the Group had successively entered into project cooperation agreements with Yantai Port Group, XD Group, CNSG Group, Xi'an Aero-Engine Group, Ansteel Group, Pangang Group, CEC Caihong and CR State Asset, to take over their 20 medical institutions. Meanwhile, the Group entered into cooperation agreements with China Minmetals and CR State Asset, respectively, and will include the designated medical institutions into the cooperation scope in phases. In addition, the Group also reached cooperation understanding with many other state-owned groups, and will continue to push for materialization of more projects relating to medical institutions of SOEs in the future.

As of 30 June 2019, the Group had acquired 16 medical institutions, of which, two are Grade III Class A hospitals and nine are Grade II hospitals, with operating capacity of 4,193 beds in total. The number of outpatient visits and inpatient visits amounted to 1.231 million and 67,000, respectively, and the hospital operation recorded revenue of RMB962.8 million in the first half of 2019. In the future, based on local epidemiology survey, the actual situation of each medical institution, and prediction of medical development trends, the Group will enhance the comprehensive strengths and brand awareness of these hospitals by mapping out discipline development, introducing quality medical resources and optimizing operation and management system.

1.1.2 Building up an advanced modern hospital group

Hospitals are the core resources to support development of medical and health industry. For medical institutions managed by the Group, the Group will comprehensively improve their medical technology, management efficiency and service capabilities by establishing a tightly-knit healthcare network, introducing modern hospital management mode, connecting with top medical resources at home and abroad and promoting development of related disciplines as a whole. We will focus on four core strategies of "differential positioning, regional focus, conglomerate management and scale-up development" to establish a medical service network with nationwide coverage and regional integration, and build up a modern hospital group with outstanding technology and efficient management.

Differential positioning: the Group would create a differential competitive edge by focusing on discipline construction, medical quality and safety, service optimization and other aspects, to build up a hospital group with advanced technologies and outstanding services.

Regional focus: focusing on key areas and cities and supported by quality medical resources, the Group would deploy its medical resources with nationwide coverage and regional integration, share its internal high-quality resources with regional medial institutions, realize equalization of medical services within the Group, and to provide patients with diversified and multi-level medical services.

Conglomerate management: the Group would achieve standardised hospital management through unified planning and development, consistent medical service process and consistent quality and safety standards, comprehensive budgeting and cost accounting management and centralized purchasing management of supply chain; and would achieve synergic development through cooperation among departments with different functions, medical referral and sharing of doctor resources.

Scale-up development: the Group would fully leverage its scale to achieve the best economy of scale through professional operation; and realize the value in the whole medical health industry chain through developing medical digitalization, medical health insurance, medical and elderly care service as well as other businesses in a synergetic manner.

1.1.3 Continue to promote hospital investment, construction and operation projects

The Group entered into cooperation agreements in relation to the investment, construction and operation of hospitals with the First Affiliated Hospital on 30 August 2016, and with the Health Commission of Handan and Handan First Hospital on 9 August 2018, respectively.

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

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. The new east district of Handan First Hospital will operate as a new branch of Handan First Hospital. The Group will invest a total amount of no more than RMB2 billion for the construction of the new east district and is entitled to two rights: a construction and operation right of Handan First Hospital (including the new east district), and an exclusive right to provide medical supplies procurement service to Handan First Hospital (including the new east district). Please refer to the announcement published by the Company on 9 August 2018 for details.

Currently, the above projects are continuously progressing.

1.2 Finance and Advisory Business

In the first half of 2019, facing changing environments in domestic and international finance markets and even more fierce competition in finance lease market, the Group worked meticulously in niche market, continuing to improve the width and depth of market penetration, actively adjusting our financing strategies to optimize debt structures, which contributed to steady increase in the Group's revenue from financing lease business and asset size. During the reporting period, the Group's revenue from finance and advisory business increased by 21.3% to RMB2,471.6 million as compared to the corresponding period of the previous year, and profit for the period attributable to ordinary shareholders of the parent for finance and advisory business increased by 7.7% to RMB800.3 million as compared to the corresponding period of the previous year. As always, the Group executed prudent risk control processes and strict asset management measures to ensure that the asset quality remains the leading position in the industry.

- **The yield of interest-bearing assets rose slightly.** During the reporting period, the Group made a prompt adjustment to the market exploration strategy in response to the change of market environment and implemented active pricing policy. The rising yield of new interest-bearing assets drove the increase of yield of interest-bearing assets in the first half of 2019. In the first half of 2019, the Group's average yield of interest-bearing assets was 8.14%, increasing by 0.18 percentage point as compared to that of 7.96% in the corresponding period of the previous year.

- **Net interest spread remained at an excellent position in the industry.** During the reporting period, the Group continued to deepen its cooperation with various financial institutions, actively expand financing channels, constantly create new financing tools, enrich financing instruments, and optimize its debt structure. On the premise of ensuring sufficient liquidity, we have controlled our financing cost in a reasonable and effective way, making the net interest spread of 3.45% still leading the industry.

- **The Group recorded steady growth in its asset size and maintained good asset quality.** As at 30 June 2019, the Group's net interest-bearing assets reached RMB50,662.9 million, representing an increase of 14.4% as compared with the end of 2018. The non-performing assets ratio was 0.80% and the overdue ratio (30 days) was 0.77%, with asset quality still remaining the leading position in the industry. We maintained prudent provision policies and as at 30 June 2019, the Group had a provision coverage ratio of 190.27%.

The Group's medical technology service kept developing in a steady manner. We leveraged our rich medical resources to provide hospital clients with clinical department upgrade advisory services for the prevention, treatment and rehabilitation of CVA and other major diseases with high prevalence. Meanwhile, we kept an eye on the international medical development, introduced world-class advanced medical equipment to domestic hospitals, and made organic combination of the construction of hospital departments and overall development, to practically improve medical technology for hospital clients.

The Group continued to expand the digitalization business. Leveraging our member hospitals, own technology team and independent research technologies, we introduced and brought in external technology team as well as related products and services guided by platform mindset. With three aspects at the core, namely Internet-based healthcase services, smart hospital solutions, and medical big data and artificial intelligence services, we persistently improved the construction of medical digitalization for member hospitals of the Group, thus realized the coordination of functions and resources sharing among hospitals within the Group, and improved the hospitals' operation efficiency and management level.

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

In the second half of 2019, the Group will continue to develop finance and advisory business on the one hand, to consolidate operating foundation; and on the other hand, will comprehensively promote the business layout of hospital group, accelerate the execution of cooperation projects, steadily implement the integration and management work of cooperating medical institutions and establish a conglomerate management system, to build up a hospital group with excellent technology and efficient management.

In the future, the Group will continue to focus on the strategic development direction in medical and healthcare sector and seize policy and market opportunities. Starting from the concept of the whole life cycle and the whole industrial chain, with medical services as the core, the Group will simultaneously develop medical finance, medical technology service, medical digitalization, medical health insurance, and medical and elderly care business, to form a closed loop of medical and health service, covering the whole life cycle of patients, and strive to be a leading medical and health conglomerate in China, bringing vitality to the construction of "Healthy China".

2. ANALYSIS OF PROFIT OR LOSS

2.1 Overview

In the first half of 2019, the Group seized policy and market opportunities and further advanced in the medical and healthcare fields. Guided by the strategic goal of building a leading medical and health conglomerate in China, the Group innovated and upgraded its strategic layout, solidly pushed forward traditional business, strictly controlled operational risks, therefore making steady growth in operating performance. In the first half of 2019, the Group recorded revenue of RMB3,195.4 million, representing an increase of 52.5% as compared to the corresponding period of the previous year. Profit for the period was RMB872.5 million, representing an increase of 19.0% as compared to the corresponding period of the previous year. Profit for the period attributable to ordinary shareholders of the parent was RMB812.0 million, representing an increase of 10.4% 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 2019:

	For the six months ended 30 June		
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	Change %
Revenue	**3,195,355**	2,094,780	52.5%
Cost of sales	**(1,550,366)**	(767,807)	101.9%
Gross profit	**1,644,989**	1,326,973	24.0%
Other income and gains	**28,138**	44,208	-36.4%
Selling and distribution costs	**(172,465)**	(171,216)	0.7%
Administrative expenses	**(182,566)**	(108,452)	68.3%
Impairment losses on financial assets, net	**(91,559)**	(19,637)	366.3%
Financial costs	**(1,035)**	(68)	1,422.1%
Other expenses	**(31,487)**	(70,149)	-55.1%
Profit before tax	**1,194,015**	1,001,659	19.2%
Income tax expense	**(321,490)**	(268,406)	19.8%
Profit for the period	**872,525**	733,253	19.0%
Profit for the period attributable to ordinary shareholders of the parent	**811,985**	735,532	10.4%
Basic and diluted earnings per share *(RMB)*	**0.47**	0.43	10.4%

2.2 Analysis of Business Revenue

In the first half of 2019, on the one hand, facing changing environment in domestic and international finance markets and even more fierce competition in finance lease market, the Group worked meticulously in niche market, continuing to enhance market exploration. On the other hand, the Group proactively pushed forward the work on reintegration and takeover of medical institutions of SOEs, and made great achievements. The two major business segments, namely finance and advisory segment and hospital group segment, are taking shape. The finance and advisory segment includes finance lease, advisory services (industry, equipment and financing advisory and clinical department upgrade services), and sales of medical equipment. Hospital group segment includes comprehensive medical services and hospital operation and management service and other business.

In the first half of 2019, the Group recorded revenue of RMB3,195.4 million, of which finance and advisory business recorded revenue of RMB2,471.6 million, accounting for 77.4%; hospital group business recorded revenue of RMB723.7 million, accounting for 22.6%. The Group recorded gross profit from operations of RMB1,645.0 million, of which finance and advisory business recorded gross profit from operations of RMB1,556.9 million, accounting for 94.6%, while hospital group business recorded gross profit from operations of RMB88.1 million, accounting for 5.4%.

The following table sets forth the Group's revenue from the two major business segments:

	For the six months ended 30 June				
	2019		2018		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Unaudited)	% of total	Change %
Revenue from finance and advisory business	**2,471,613**	**77.4%**	2,037,781	97.3%	21.3%
Revenue from hospital group business	**723,742**	**22.6%**	56,999	2.7%	1,169.8%
Total	**3,195,355**	**100.0%**	2,094,780	100.0%	52.5%

The following table sets forth the Group's gross profit from the two major business segments:

	For the six months ended 30 June				
	2019		2018		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Gross profit from finance and advisory business	**1,556,885**	**94.6%**	1,322,890	99.7%	17.7%
Gross profit from hospital group business	**88,104**	**5.4%**	4,083	0.3%	2,058.0%
Total	**1,644,989**	**100.0%**	1,326,973	100.0%	24.0%

2.2.1 Finance and advisory business

In the first half of 2019, the Group continued developing the finance and advisory business in a prudent manner, and recorded revenue of RMB2,471.6 million, representing an increase of RMB433.8 million or 21.3% as compared to the corresponding period of the previous year; recorded gross profit of RMB1,556.9 million, representing an increase of RMB234.0 million or 17.7% as compared to the corresponding period of the previous year.

The following table sets forth the Group's income from finance and advisory business:

	For the six months ended 30 June				
	2019		2018		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Finance and advisory business					
Finance lease*	**1,892,573**	**76.6%**	1,499,778	73.6%	26.2%
Advisory services	**556,816**	**22.5%**	528,271	25.9%	5.4%
Sales of medical equipment	**17,740**	**0.7%**	4,955	0.3%	258.0%
Other business	**4,484**	**0.2%**	4,777	0.2%	-6.1%
Total	**2,471,613**	**100.0%**	2,037,781	100.0%	21.3%

* Finance lease includes sale-and-leaseback transactions

The following table sets forth the Group's gross profit from finance and advisory business:

	For the six months ended 30 June				
	2019		2018		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Unaudited)	% of total	Change %
Finance and advisory business					
Finance lease*	**992,197**	**63.7%**	800,029	60.5%	24.0%
Advisory services	**556,816**	**35.8%**	528,271	39.9%	5.4%
Sales of medical equipment	**8,021**	**0.5%**	2,449	0.2%	227.5%
Other business	**(149)**	**0.0%**	(7,859)	-0.6%	-98.1%
Total	**1,556,885**	**100.0%**	1,322,890	100.0%	17.7%

* Finance lease includes sale-and-leaseback transactions

2.2.1.1 *Finance lease business*

The Group's revenue from finance lease business was interest income. In the first half of 2019, in respect of finance lease business, the Group rationalized its business layout, strengthened intensive management of business personnel, and further enhanced the working team's business development capability. In the first half of 2019, the Group recorded interest income of RMB1,892.6 million, representing an increase of RMB392.8 million or 26.2% as compared to the corresponding period of the previous year. The Group strived to maintain its leading position in medical finance lease market and recorded interest income of RMB1,467.5 million in medical industry, accounting for 77.5% of the total interest income.

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

	For the six months ended 30 June				
	2019		2018		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Unaudited)	% of total	Change %
Healthcare	**1,467,496**	**77.5%**	1,097,002	73.1%	33.8%
Other	**425,077**	**22.5%**	402,776	26.9%	5.5%
Total	**1,892,573**	**100.0%**	1,499,778	100.0%	26.2%

In the first half 2019, the gross profit of interest margin was RMB992.2 million, representing an increase of RMB192.2 million, or 24.0%, as compared to the corresponding period of the previous year. The increase of the gross profit of interest margin was due to the rise of net interest spread of finance lease business.

The following table sets forth the indicators of income from finance lease business:

	30 June 2019			30 June 2018		
	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-bearing assets	**47,026,834**	**1,899,124**	**8.14%**	38,217,123	1,507,885	7.96%
Interest-bearing liabilities	**38,715,872**	**900,376**	**4.69%**	30,474,009	699,749	4.63%
Net interest margin (5)			**4.28%**			4.26%
Net interest spread (6)			**3.45%**			3.33%

(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-bearing 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-bearing assets, presented on an annualised basis;

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

In the first half of 2019, the Group's net interest margin of finance lease was 4.28%, representing an increase of 0.02 percentage point from 4.26% in the corresponding period of the previous year; net interest spread was 3.45%, representing an increase of 0.12 percentage point from 3.33% in the corresponding period of the previous year, remaining at a good level in the industry.

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

Average yield of interest-bearing assets: in the first half of 2019, the Group's average yield of interest-bearing assets was 8.14%, representing an increase of 0.18 percentage point from 7.96% in the corresponding period of the previous year. In the middle of 2018, facing tight market liquidity, the Group adjusted its market development strategy in a timely manner in response to the change of market environment, and implemented active pricing policy. The increase of yield of new interest-bearing assets led to the increase of yield of interest-bearing assets in the first half of 2019.

Average cost rate of interest-bearing liabilities: in the first half 2019, the average cost rate of interest-bearing liabilities of the Group was 4.69%, representing an increase of 0.06 percentage point from 4.63% in the corresponding period of the previous year. Due to the increase of financing costs as a result of the tight monetary policy in 2018, though the market rate decreased in the first half of 2019, the average cost of interest-bearing borrowings rose slightly compared to the corresponding period of the previous year. The Group will continue to deepen cooperation with financial institutions, actively expand financing channels, enrich financing instruments, optimize debt structure, and reasonably and effectively control financing costs on the premise of sufficient liquidity of funds.

2.2.1.2 Advisory services business

The Group's advisory services business includes industry, equipment and financing advisory services as well as clinical department upgrade services. In the first half of 2019, the gross profit from advisory services was RMB556.8 million, representing an increase of RMB28.5 million or 5.4% as compared to the corresponding period of the previous year.

Industry, equipment and financing advisory services is a part of the Group's integrated services. 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. In the first half of 2019, the gross profit was RMB487.9 million, representing an increase of 13.6% as compared to the corresponding period of the previous year.

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. In the first half of 2019, the gross profit was RMB68.9 million, representing a decrease of 30.1%, as compared to the corresponding period of the previous year.

2.2.1.3 *Business of sales of medical equipment*

In the first half of 2019, the business of sales of medical equipment was further strengthened and demonstrated rapid growth with the mature development of the original products market as well as the effort put in marketing and academic promotion. In the first half of 2019, sales of medical equipment recorded income of RMB17.7 million, representing an increase of RMB12.8 million or 258.0% as compared to the corresponding period of the previous year; recorded gross profit of RMB8.0 million, representing an increase of RMB5.6 million or 227.5% as compared to the corresponding period of the previous year.

2.2.2 *Hospital group business*

The Group's hospital group business includes integrated healthcare services and hospital operation and management business. In the first half of 2019, the hospital group business recorded income of RMB723.7 million, representing an increase of RMB666.7 million as compared to the corresponding period of the previous year, and recorded gross profit of RMB88.1 million, representing an increase of RMB84.0 million as compared to the corresponding period of the previous year.

The following table sets forth the Group's income from hospital group business:

	For the six months ended 30 June				
	2019		2018		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Unaudited)	% of total	Change %
Hospital group business					
Integrated healthcare services	**665,091**	**91.9%**	–	0.0%	100.0%
Hospital operation and management	**58,651**	**8.1%**	56,999	100.0%	2.9%
Total	**723,742**	**100.0%**	56,999	100.0%	1,169.8%

The following table sets forth the Group's gross profit from hospital group business:

	For the six months ended 30 June				
	2019		2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Hospital group business					
Integrated healthcare services	**83,320**	**94.6%**	–	0.0%	100.0%
Hospital operation and management	**4,784**	**5.4%**	4,083	100.0%	17.2%
Total	**88,104**	**100.0%**	4,083	100.0%	2,058.0%

2.2.2.1 *Integrated healthcare services*

The Group's integrated healthcare services come from the integrated healthcare services provided by acquired hospitals. Revenue from integrated healthcare services is mainly consisted of revenue generated from the healthcare service, examination, medicine and hygiene materials, physical examination and other services provided to outpatients, emergency patients and inpatients. Costs of integrated healthcare services include costs of medicine and hygiene materials, labor costs as well as depreciation and amortization expenses.

As of 30 June 2019, the Group completed the acquisition of 16 medical institutions. During the reporting period, the Group completed the acquisition of 15 medical institutions, of which, Xi'an Aero-Engine Hospital (西航職工醫院), CRFG Xi'an Central Hospital (中鐵一局西安中心醫院), CRFG Central Hospital (中鐵一局集團中心醫院), CRFG Xianyang Central Hospital (中鐵一局咸陽中心醫院), CRFG Fifth Company Hospital (中鐵一局集團第五工程有限公司職工醫院) and CRFG Second Social Service Center Tangshan Hospital (中鐵一局集團社會事業服務第二分中心唐山醫院) were acquired on 31 March 2019, and their profit for the three months ended 30 June 2019 was consolidated into that of the Group; Ansteel General Hospital, Ansteel Occupational Disease Prevention Hospital (鞍鋼職業病防治院) and Qian Shan Hot Spring Health Center of Ansteel (鞍鋼千山溫泉療養院) were acquired on 1 May 2019 and their profit for the two months ended 30 June 2019 was consolidated into that of the Group. In the first half of 2019, the medical institutions since consolidation into our accounts achieved comprehensive medical service income of RMB665.1 million and gross profit of RMB83.3 million.

2.2.2.2 Hospital operation and management

Revenue from hospital operation and management represents mainly revenue from the sales of pharmaceutical consumables, supply chain distribution of hospitals outside the Group and other revenue generated from hospital related operations. In the first half of 2019, revenue and gross profit from hospital operation and management was RMB58.7 million and RMB4.8 million, respectively.

2.2.3 Operating cost

In the first half of 2019, the Group's sales and distribution costs amounted to RMB172.5 million, representing an increase of RMB1.2 million, or 0.7%, as compared to the corresponding period of the previous year.

Administrative expenses amounted to RMB182.6 million, representing an increase of RMB74.1 million, or 68.3%, as compared to the corresponding period of the previous year, which was mainly due to the increase of administrative expenses incurred by acquired hospitals. Administrative expenses from finance and advisory business amounted to RMB118.5 million, accounting for 64.9% of the total administrative expenses, representing an increase of RMB14.2 million, or 13.6%, as compared to the corresponding period of the previous year. The increase in administrative expenses from finance and advisory business was mainly due to the increase of labor costs. The Company constantly attracted more professional senior management talents in order to implement the Company's strategy. Administrative expenses from hospital group business amounted to RMB64.1 million, accounting for 35.1% of the total administrative expenses, representing an increase of RMB59.9 million, as compared to the corresponding period of the previous year.

In the first half of 2019, the Group continued to maintain high operating efficiency and the total cost to income ratio was 21.58%, representing an increase of 0.5 percentage point as compared to 21.08% for the corresponding period of the previous year. The cost to income ratio in finance and advisory business was 18.5%, representing a decrease of 1.6 percentage points as compared to 20.1% for the corresponding period of the previous year.

2.2.4 Profit before tax

In the first half of 2019, the Group recorded profit before tax of RMB1,194.0 million, representing an increase of RMB192.4 million or 19.2%, as compared to the corresponding period of the previous year.

2.2.5 Profit for the period attributable to ordinary shareholders of the parent

In the first half of 2019, the Group recorded profit for the period attributable to ordinary shareholders of the parent of RMB812.0 million, representing an increase of RMB76.5 million or 10.4%, as compared to the corresponding period of the previous year.

2.2.6 Revenue from hospital operation

As of 30 June 2019, the Group had completed the acquisition of 16 medical institutions, including two Grade III Class A hospitals and nine Grade II hospitals. With operating capacity of 4,193 beds, the number of outpatient visits and inpatient visits amounted to 1,231,000 and 67,000, respectively. In the first half of 2019, the medical institutions since consolidation into our accounts achieved comprehensive medical service income of RMB665.1 million, profit of RMB25.6 million during the period, profit attributable to ordinary shareholders of the parent of RMB13.4 million, and profit before interest, tax, depreciation and amortization of RMB66.5 million.

The following table sets forth the statement of profit or loss of the Group's hospitals for the six months ended 30 June 2019:

	2019 For the six months ended 30 June RMB'000 (Unaudited)
Revenue	**665,091**
Costs	**(581,771)**
Gross profit	**83,320**
Other income and gains	**12,837**
Selling and distribution costs	**–**
Administrative expenses	**(61,698)**
Impairment losses on financial assets, net	**(7,667)**
Financial costs	**–**
Other expenses	**(114)**
Profit before tax	**26,678**
Income tax expense	**(1,116)**
Profit for the period	**25,562**
Attributable to:	
Ordinary shareholders of the parent	**13,446**
Non-controlling interests	**12,116**
EBITDA	**66,507**

3. FINANCIAL POSITION ANALYSIS

3.1 Overview of Assets

As at 30 June 2019, the Group's total assets was RMB57,577.8 million, representing an increase of RMB10,320.9 million or 21.8% as compared to the end of the previous year. In particular, our restricted deposits was RMB3,167.9 million, representing an increase of RMB2,618.7 million or 476.9% as compared to the end of the previous year, and accounting for 5.5% of total assets; our cash and cash equivalents was RMB1,633.9 million, representing a decrease of RMB539.6 million or 24.8% as compared to the end of the previous year, and accounting for 2.8% of total assets; and our loans and accounts receivable was RMB50,174.4 million, representing an increase of RMB6,504.1 million or 14.9% as compared to the end of the previous year, and accounting for 87.1% of total assets.

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

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change %
Restricted deposits	**3,167,876**	**5.5%**	549,152	1.2%	476.9%
Cash and cash equivalents	**1,633,874**	**2.8%**	2,173,473	4.5%	-24.8%
Inventories	**93,722**	**0.2%**	40,537	0.1%	131.2%
Loans and accounts receivable	**50,174,408**	**87.1%**	43,670,306	92.4%	14.9%
Right-of-use assets	**576,970**	**1.0%**	–	0.0%	100.0%
Prepayments, deposits and other receivables	**286,854**	**0.5%**	71,414	0.2%	301.7%
Property, plant and equipment	**1,147,331**	**2.0%**	271,026	0.6%	323.3%
Prepaid land lease payments	**–**	**0.0%**	132,134	0.3%	-100.0%
Investment in an associate	**3,579**	**0.0%**	–	0.0%	100.0%
Deferred tax assets	**274,457**	**0.5%**	248,471	0.5%	10.5%
Derivative financial instruments	**119,820**	**0.2%**	81,250	0.2%	47.5%
Goodwill	**69,772**	**0.1%**	9,211	0.0%	657.5%
Other assets	**29,137**	**0.1%**	9,953	0.0%	192.7%
Total	**57,577,800**	**100.0%**	47,256,927	100.0%	21.8%

3.1.1 *Restricted deposits*

As at 30 June 2019, the Group had restricted deposits of RMB3,167.9 million, representing an increase of RMB2,618.7 million or 476.9% as compared to the end of the previous year, and accounting for 5.5% of total assets. Restricted deposits mainly comprised pledged project refunds from factoring business, time deposits and financing deposits. The increase of restricted deposits during the period was mainly due to the increase of time deposits and financing deposits. For the purpose of financing arrangement, the Group reserved part of foreign currency deposits with offshore banks to provide credit enhancement for domestic financing.

3.1.2 *Cash and cash equivalents*

As at 30 June 2019, the Group had cash and cash equivalents of RMB1,633.9 million, representing a decrease of RMB539.6 million or 24.8% as compared to the end of the previous year, and accounting for 2.8% of total assets. The balance of cash and cash equivalents will be gradually put in use in accordance with the Group's operating plan.

3.1.3 *Loans and accounts receivable*

As at 30 June 2019, the balance of the Group's loans and accounts receivable was RMB50,174.4 million, representing an increase of RMB6,504.1 million or 14.9% as compared to the end of the previous year. The net interest-bearing assets was RMB49,893.7 million, accounting for 99.4% of the loans and accounts receivable; and net accounts receivable was RMB280.7 million, accounting for 0.6% of the loans and accounts receivable.

3.1.3.1 *Interest-bearing assets*

In the first half of 2019, given the continuing downward trend in China's macro-economic environment, the Group strengthened its risk management and control in a prudent manner, and expanded the lease business in a continuous and stable manner while ensuring asset security. As at 30 June 2019, the Group's net interest-bearing assets was RMB49,893.7 million, representing an increase of RMB6,308.3 million or 14.5% as compared to the end of the previous year.

Net interest-bearing assets by industry

The Group emphasized the structure adjustment and risk prevention and control of interest-bearing assets on the basis of effective risk control. As at 30 June 2019, the balance of healthcare interest-bearing assets was RMB36,463.1 million, accounting for 72.0% of the total interest-bearing assets.

The following table sets forth the net interest-bearing assets by industry:

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Healthcare	36,463,051	72.0%	34,649,213	78.3%	5.2%
Others	14,199,808	28.0%	9,621,451	21.7%	47.6%
Net interest-bearing assets	50,662,859	100.0%	44,270,664	100.0%	14.4%
Less: Provision for asset impairment	(769,209)		(685,295)		12.2%
Net value of interest-bearing assets	49,893,650		43,585,369		14.5%

The maturity profile of the net interest-bearing assets

The Group formulated reasonable business investment strategies according to the strategic plan so as to ensure sustainable and steady cash inflow. As at 30 June 2019, the distribution of maturity of the Group's net interest-bearing assets was relatively balanced.

The following table sets forth the maturity profile of the net interest-bearing assets:

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Within 1 year	16,159,747	31.9%	11,994,156	27.1%	34.7%
1-2 years	13,773,757	27.2%	12,441,386	28.1%	10.7%
2-3 years	10,545,646	20.8%	9,732,913	22.0%	8.4%
Over 3 years	10,183,709	20.1%	10,102,209	22.8%	0.8%
Net interest-bearing assets	50,662,859	100.0%	44,270,664	100.0%	14.4%

Quality of interest-bearing assets

The Group has been implementing a stable asset management policy and continuously adopting a stringent and prudent asset classification policy. As at 30 June 2019, the Group had non-performing assets of RMB404.3 million, representing an increase of RMB44.1 million as compared to 31 December 2018. 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 2019, the Group's non-performing assets ratio was 0.80%.

The following table sets forth the classification of five categories of the net interest-bearing assets of the Group:

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Pass	**42,564,758**	**84.02%**	37,280,136	84.21%	14.2%
Special attention	**7,693,819**	**15.19%**	6,630,305	14.98%	16.0%
Substandard	**362,596**	**0.72%**	318,537	0.72%	13.8%
Doubtful	**0**	**0.00%**	0	0.00%	0.0%
Loss	**41,686**	**0.08%**	41,686	0.09%	0.0%
Net interest-bearing assets	**50,662,859**	**100.00%**	44,270,664	100.00%	14.4%
Non-performing assets(1)	**404,282**		360,223		12.2%
Non-performing assets ratio(2)	**0.80%**		0.81%		

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

(2) The non-performing assets ratio is the percentage of non-performing assets over net interest-bearing assets 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.

Ratio of overdue interest-bearing assets

In the first half of 2019, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. However, certain clients were affected by local policy, resulting in poor operation performance and temporarily tightened capital chain. As at 30 June 2019, the overdue ratio (over 30 days) was 0.77%, increased by 0.15 percentage point as compared to 0.62% at the end of last year.

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Overdue ratio (over 30 days) (1)	**0.77%**	0.62%

(1) Calculated as net interest-bearing assets (overdue for over 30 days) divided by net interest-bearing assets.

Provision for impairment of interest-bearing assets

As at 30 June 2019, the Group's provision coverage ratio was 190.27%, representing an increase of 0.03 percentage point 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's assets of loss grade amounted to RMB41.7 million. Despite its effort in collection through judicial proceedings, executable assets were unable to cover risk exposure. The Group will continue to take various ways to recover leased assets to the maximum extent.

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

	As at 30 June 2019			
	Stage 1 (12-month ECL*) RMB'000 (Unaudited)	Stage 2 (Lifetime ECL*) RMB'000 (Unaudited)	Stage 3 (Lifetime ECL* – impaired) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Interest-bearing assets	42,564,758	7,693,819	404,282	50,662,859
Allowance for impairment losses	(379,805)	(243,930)	(145,474)	(769,209)
Interest-bearing assets, net	42,184,953	7,449,889	258,808	49,893,650

* ECL: expected credit loss

3.1.3.2 *Accounts receivables*

As at 30 June 2019, the Group's net accounts receivables was RMB280.7 million, representing an increase of RMB195.8 million or 230.6% as compared to the end of the previous year. The increase of accounts receivables was mainly due to the amounts receivables from medical institutions acquired in the first half of the year.

3.1.4 Other assets

As at 30 June 2019, the Group's balance of inventory was RMB93.7 million, representing an increase of RMB53.2 million as compared to the end of the previous year, which was mainly due to the increase of balance of inventory from medical institutions acquired by the Group in the first half of the year.

As at 30 June 2019, the Group's balance of right-of-use assets was RMB577.0 million, representing an increase of RMB577.0 million as compared to the end of the previous year. As of 30 June 2019, right-of-use assets recognized in office lease was RMB19.6 million and right-of-use assets from medical institutions acquired by the Group was RMB557.4 million.

As at 30 June 2019, the Group's balance of property, plant and equipment was RMB1,147.3 million, representing an increase of RMB876.3 million as compared to the end of the previous year, which was mainly due to the increase of balance of property, plant and equipment from medical institutions acquired by the Group in the first half of the year.

As at 30 June 2019, the Group's balance of prepayments, deposits and other receivables was RMB286.9 million, representing an increase of RMB215.4 million as compared to the end of the previous year, which mainly included payment for equipment prepaid to suppliers and the deductible input tax under value-added tax, etc.

As at 30 June 2019, the Group's balance of investment in an associate was RMB3.6 million, which was investment in the associate under Ansteel General Hospital.

As at 30 June 2019, the Group's balance of goodwill was RMB69.8 million, representing an increase of RMB60.6 million as compared to the end of the previous year, which included goodwill of RMB59.8 million generated from the acquisition of XD Group Hospital and goodwill of RMB0.8 million generated from the acquisition of Ansteel General Hospital by the Group in the first half of the year.

3.2 Overview of Liabilities

As at 30 June 2019, the Group's total liabilities amounted to RMB45,639.1 million, representing an increase of RMB8,639.0 million or 23.3% as compared to the end of the previous year. Among these, the interest-bearing bank and other borrowings amounted to RMB40,895.9 million, representing an increase of RMB7,913.9 million or 24.0% as compared to the end of the previous year, accounting for 89.6% of the total liabilities; other payables and accruals amounted to RMB3,890.0 million, representing an increase of RMB467.2 million or 13.6% as compared to the end of the previous year, accounting for 8.5% of the total liabilities.

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

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change %
Interest-bearing bank and other borrowings	**40,895,855**	**89.6%**	32,981,989	89.1%	24.0%
Trade payables	**662,974**	**1.5%**	482,381	1.3%	37.4%
Other payables and accruals	**3,889,964**	**8.5%**	3,422,809	9.3%	13.6%
Derivative financial instruments	**59,870**	**0.1%**	42,797	0.1%	39.9%
Tax payable	**130,439**	**0.3%**	70,143	0.2%	86.0%
Total	**45,639,102**	**100.0%**	37,000,119	100.0%	23.3%

3.2.1 *Interest-bearing bank and other borrowings*

In the first half of 2019, under the complicated domestic and overseas financial environments, the Group actively explored various channels to ensure low-cost capital as required in business development. In the direct financing market, leveraging on advantage of domestic AAA rating, the Group issued batches of bonds at low cost and also registered different kind of bonds including medium-term notes, corporate bonds, super short-term financing bonds and non-publicly oriented debt financing instruments, so as to reserve sufficient sources of funds. In the domestic bank loan market, the Group has established strategic partnerships with several large state-owned banks, national-wide joint-stock banks and local city commercial banks with strong capacity to further financing business both in depth and width. Meanwhile, in order to cope with uncertainties in domestic market liquidity, the Group continued to promote overseas financing and actively carried out foreign currency syndicated loans business and bilateral loans business. In the second half of the year, the Group will, according to market condition, actively adjust financing strategies and enrich its financing channels and optimize its debt structure of diversified financing instruments, decentralize financing areas, diversify financing arrangements, and continue to maintain competitive cost advantages.

The Group's interest-bearing bank and other borrowings is mainly used to provide capital for its finance lease business. As at 30 June 2019, the Group's interest-bearing bank and other borrowings was RMB40,859.9 million, representing an increase of RMB7,913.9 million or 24.0% as compared to the end of the previous year. The borrowings of the Group are mainly at fixed interest rates or at benchmark lending interest rates promulgated by the People's Bank of China, the London Interbank Offered Rate, Hong Kong Interbank Offered Rate and other floating rates.

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

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Bank loans	22,291,169	54.5%	16,444,054	49.9%	35.6%
Due to related parties	2,398,155	5.9%	1,994,964	6.0%	20.2%
Bonds	14,025,633	34.3%	12,764,358	38.7%	9.9%
Other loans	2,180,898	5.3%	1,778,613	5.4%	22.6%
Total	40,895,855	100.0%	32,981,989	100.0%	24.0%

As at 30 June 2019, the balance of the Group's bank loans amounted to RMB22,291.2 million, accounting for 54.5% of the total interest-bearing bank and other borrowings, representing an increase of 4.6 percentage points as compared to 49.9% as at the end of the previous year. In the first half of 2019, the Group put more effort in cooperation with domestic and foreign banks and the proportion of balance of bank loans increased.

Breakdown of interest-bearing and other borrowings by currency:

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
RMB	30,317,509	74.2%	25,776,703	78.2%	17.6%
USD	5,779,492	14.1%	4,100,430	12.4%	40.9%
HKD	4,798,854	11.7%	3,104,856	9.4%	54.6%
Total	40,895,855	100.0%	32,981,989	100.0%	24.0%

As at 30 June 2019, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB30,317.5 million, which accounted for 74.2% of its total interest-bearing bank and other borrowings, representing a decrease of 4.0 percentage points as compared to 78.2% as at the end of the previous year. In the fist half of 2019, the Group enriched financing instruments, withdrew multiple syndicated loans and bilateral loans from abroad after taking into account overall cost including exchange rate, so the proportion of foreign currency financing increased.

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

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change %
Domestic	**29,917,509**	**73.2%**	25,776,703	78.2%	16.1%
Overseas	**10,978,346**	**26.8%**	7,205,286	21.8%	52.4%
Total	**40,895,855**	**100.0%**	32,981,989	100.0%	24.0%

As at 30 June 2019, the Group's domestic financing balance was RMB29,917.5 million, accounting for 73.2% of the total interest-bearing bank and other borrowings, representing a decrease of 5.0 percentage points as compared to 78.2% as at the end of the previous year. In the first half of 2019, the Group withdrew a number of syndicated loans and bilateral loans from abroad after taking into account overall cost including exchange rate, so the proportion of overseas financing increased.

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

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change %
Current	**16,270,599**	**39.8%**	12,346,798	37.4%	31.8%
Non-current	**24,625,256**	**60.2%**	20,635,191	62.6%	19.3%
Total	**40,895,855**	**100.0%**	32,981,989	100.0%	24.0%

As at 30 June 2019, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB16,270.6 million, accounting for 39.8% of its total interest-bearing bank and other borrowings, representing an increase of 2.4 percentage points as compared to 37.4% as at the end of the previous year. In the first half of 2019, on the premise that sufficient liquidity and reasonable debt structure are ensured, the Group issued batches of super short-term bonds, therefore, the ratio of current liabilities increased slightly and the overall structure of assets and liabilities remained good.

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

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Secured	4,888,530	12.0%	3,608,940	10.9%	35.5%
Unsecured	36,007,325	88.0%	29,373,049	89.1%	22.6%
Total	40,895,855	100.0%	32,981,989	100.0%	24.0%

As at 30 June 2019, the Group's total secured interest-bearing bank and other borrowings amounted to RMB4,888.5 million, accounting for 12.0% of its total interest-bearing bank and other borrowings, representing an increase of 1.1 percentage points as compared to 10.9% as at the end of the previous year. The Group's secured assets were mainly finance lease assets. In order to expand financing channels, enrich financing instruments, and optimize maturity structure of the assets and liabilities, the proportion of the secured interest-bearing liabilities which matched the leased assets increased slightly in the first half of the year.

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

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Direct financing	14,025,633	34.3%	12,764,358	38.7%	9.9%
Indirect financing	26,870,222	65.7%	20,217,631	61.3%	32.9%
Total	40,895,855	100.0%	32,981,989	100.0%	24.0%

As at 30 June 2019, among the balance of the Group's interest-bearing bank and other borrowings, the direct financing amounted to RMB14,025.6 million, accounting for 34.3% of its total interest-bearing bank and other borrowings, representing a decrease of 4.4 percentage points as compared to 38.7% as at the end of the previous year.

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 2019, other payables and accruals amounted to RMB3,890.0 million, representing an increase of RMB467.2 million as compared to the end of the previous year.

3.3 Shareholders' Equity

As at 30 June 2019, the Group's total equity was RMB11,938.7 million, representing an increase of RMB1,681.9 million or 16.4% as compared to the end of the previous year, among which the non-controlling interests were RMB1,434.9 million, representing an increase of RMB1,226.2 million or 587.5% as compared to the end of the previous year. In the first half of 2019, the Group completed the acquisition of 15 medical institutions, resulting in an increase of RMB1,225.8 million in non-controlling interests.

The following table sets forth the equities for the dates indicated:

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change %
Share capital	**4,327,842**	**36.3%**	4,327,842	42.2%	0.0%
Reserves	**4,473,793**	**37.5%**	4,067,769	39.7%	10.0%
Equity attributable to ordinary shareholders of the parent	**8,801,635**	**73.7%**	8,395,611	81.9%	4.8%
Other equity instrument	**1,702,187**	**14.3%**	1,652,481	16.1%	3.0%
Non-controlling interests	**1,434,876**	**12.0%**	208,716	2.0%	587.5%
Total	**11,938,698**	**100.0%**	10,256,808	100.0%	16.4%

4. CASH FLOWS ANALYSIS

In the first half of 2019, with the expansion of the Group's finance and advisory business and an increase in the size of interest-bearing assets, net cash outflows from operating activities amounted to RMB4,606.4 million, representing an increase of RMB1,180.6 million as compared to that of the corresponding period of the previous year. Net cash outflows from investing activities amounted to RMB2,719.7 million, representing an increase of RMB3,110.2 million as compared to that of the corresponding period of the previous year, primarily due to the increase in the Group's term deposits of RMB2,841.3 million. Net cash inflow from financing activities amounted to RMB6,784.4 million, representing an increase of RMB3,530.0 million as compared to that of the corresponding period of the previous year, primarily due to the net increase in interest-bearing bank and other borrowings as a result of the expansion of the Group's finance and advisory business.

The following table sets forth the cash flows for the periods indicated:

	For the six months ended 30 June		
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	Change %
Net cash flows used in operating activities	**(4,606,433)**	(3,425,788)	34.5%
Net cash flows (used in)/from investing activities	**(2,719,733)**	390,423	-796.6%
Net cash flows from financing activities	**6,784,390**	3,254,393	108.5%
Effect of exchange rate changes on cash and cash equivalents	**2,177**	(24,225)	-109.0%
Net (decrease)/increase in cash and cash equivalents	**(539,599)**	194,803	-377.0%

5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains healthy capital ratios, so as to support the Group's business and maximize its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital status. As at 30 June 2019, no change was made to the Group's objectives, policies or processes for capital management.

Debt ratio

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Total assets	**57,577,800**	47,256,927
Total liabilities	**45,639,102**	37,000,119
Total equity	**11,938,698**	10,256,808
Debt ratio	**79.27%**	78.30%

Gearing ratio

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Interest-bearing bank and other borrowings	**40,895,855**	32,981,989
Total equity	**11,938,698**	10,256,808
Gearing ratio	**3.43**	3.22

As at 30 June 2019, the Group's debt ratio and gearing ratio increased slightly as compared to the end of the previous year.

6. CAPITAL EXPENDITURE

The Group's capital expenditure primarily consists of expenditure on the purchase of medical equipment and other equipment relating to the Group's operating lease business, construction expenditure on hospital projects and expenditure relating to office facilities. In the first half of 2019, the Group had capital expenditure of RMB68.6 million, primarily attributable to the procurement of medical equipment.

Use of Proceeds from the Initial Public Offering

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 July 2015. On 30 July 2015, after deducting underwriting commissions and all related expenses, the net proceeds from the initial public offering amounted to approximately RMB2,775.5 million. As at 30 June 2019, the Group did not expect to make any change in the proposed use of proceeds set out in the Prospectus.

The Board closely monitored the use of proceeds from the initial public offering with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no material change in the proposed use of proceeds as previously disclosed in the Prospectus. As of 30 June 2019, RMB1,249.0 million which we planned to use for supporting our finance lease business, RMB277.6 million which we planned to use for funding general corporate purposes, and RMB416.3 million which we planned to use for our hospital operation and management business, out of the net proceeds from the initial public offering of the Company, have been fully utilized according to the usages disclosed in the Prospectus.

In the first half of 2019, the Group utilized RMB7.1 million in development and operation of hospital digitalization business, and RMB8.8 million in development of CVA project solutions and clinical department upgrade services in other new areas.

As at 30 June 2019, the remaining balance of net proceeds from the initial public offering of the Company which we planned to use for hospital digitalization business, CVA project solutions and clinical department upgrade services in other new areas was RMB510.4 million and RMB128.6 million, respectively.

The remaining amount of RMB128.6 million for CVA project solutions and clinical department upgrade services in other new areas will be used for further development of CVA project solutions and clinical department upgrade services in other new areas and providing hospital customers with financial support for clinical department upgrade in coming years.

The remaining amount of RMB510.4 million for hospital digitalization business will be used in coming years, according to the Company's development strategy and plan, for the development and operation of hospital digitalization business, further recruitments to increase the size of our technology solutions team, continuous development of proprietary information management system for hospitals as well as related marketing activities.

7. RISK MANAGEMENT

The Group's principal financial instruments include 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 interest-bearing assets.

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Change in base points		
+100 base points	**180,573**	75,794
-100 base points	**(180,573)**	(75,794)

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 business 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 through using the operation of financial instruments such as forward exchange rate. As at 30 June 2019, the Group's exposure to foreign exchange risk amounted to approximately US$1,124.3 million, US$1,115.9 million or 99.25% of which had been hedged against by various financial instruments. Thus, the Group's exposure to foreign exchange risk is basically covered.

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

		Increase/decrease in profit before tax	
	Change in exchange rate %	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
If RMB strengthens against USD/HKD	(1)	**685**	460
If RMB weakens against USD/HKD	1	**(685)**	(460)

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 interest-bearing assets 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 expected credit loss model to classify its assets underlying lease receivables. 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 concentrated on interest-bearing assets

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

	30 June 2019		31 December 2018	
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total
Healthcare	**36,463,051**	**72.0%**	34,649,213	78.3%
Others	**14,199,808**	**28.0%**	9,621,451	21.7%
Total	**50,662,859**	**100.0%**	44,270,664	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 closely related to people's basic livelihood and is weakly correlated to the economic cycle.

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	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
			RMB'000			
			30 June 2019 (Unaudited)			
Total financial assets	**2,198,860**	**7,513,226**	**14,523,899**	**39,459,493**	**242,155**	**63,937,633**
Total financial liabilities	**(282,093)**	**(5,416,540)**	**(13,289,432)**	**(29,251,241)**	**(11,252)**	**(48,250,558)**
Net liquidity gap[(1)]	**1,916,767**	**2,096,686**	**1,234,467**	**10,208,252**	**230,903**	**15,687,075**
			31 December 2018 (Audited)			
Total financial assets	2,345,585	3,817,378	11,320,692	36,389,135	435,276	54,308,066
Total financial liabilities	(42,315)	(3,143,147)	(11,817,594)	(23,829,627)	(21,502)	(38,854,185)
Net liquidity gap[(1)]	2,303,270	674,231	(496,902)	12,559,508	413,774	15,453,881

(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 2019, the Group had finance leases receivables of RMB6,804 million and cash of RMB162.1 million pledged or paid to banks to secure bank borrowings.

9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 30 January 2019, the Company entered into a cooperation agreement with Ansteel Group in connection with the formation of a joint venture, which is held by Hospital Investment Co., Ltd. (previously known as Wiseman), a wholly-owned subsidiary of the Company, and Ansteel Group as to 51.15% and 48.85%, respectively.

On 31 January 2019, the Company and Hospital Investment Co., Ltd., a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Pangang Group and Pangang Mining, a wholly-owned subsidiary of Pangang Group, in connection with the formation of a joint venture. According to the cooperation agreement, the joint venture, upon its establishment, will be held by Hospital Investment Co., Ltd., Pangang Group and Pangang Mining as to 53.30%, 46.26% and 0.44%, respectively.

On 18 March 2019, the Company entered into a cooperation agreement with CEC Caihong in connection with the formation of a joint venture. According to the cooperation agreement, the joint venture, upon its establishment, will be held by Hospital Investment Co., Ltd. and CEC Caihong as to 52.63% and 47.37%, respectively.

On 28 March 2019, the Company entered into a cooperation agreement with CR State Asset in connection with the formation of a joint venture. According to the cooperation agreement, the joint venture, upon its establishment, will be held by Hospital Investment Co., Ltd. and CR State Asset as to 51% and 49%, respectively.

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

10.1 Contingent Liabilities

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Capital expenditure under signed contracts but not appropriated (1)	**84,617**	30,120
Credit commitments (2)	**833,949**	1,722,496

(1) Capital expenditure under signed contracts but not appropriated during the period represents project funds under signed contracts but not yet paid mainly for medical equipment and hospital development and operation projects.

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

11. HUMAN RESOURCES

As of 30 June 2019, we had a total of 6,679 employees, representing an increase of 5,974 or 847%, compared to 705 employees as of 31 December 2018, which is mainly due to transfer of employees from acquired hospitals.

We have a highly-educated and high-quality work force, with about 49.4% of our employees holding bachelor degrees and above, about 10.7% holding master's degrees and above, about 33.6% with intermediate title and above, and about 12.2% with senior vice title and above as of 30 June 2019.

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

In accordance with applicable PRC 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 eligible 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 2019, the Group complied with all statutory social insurance and housing fund obligations applicable to us under the PRC laws in all material respects.

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 2019, 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
Peng Jiahong (Note)	Interest of controlled corporation	Executive Director and Chief Executive Officer	7,617,400	0.44%

Note:

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 2019, 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

So far as the Directors are aware as of 30 June 2019, 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	606,460,895	35.34%
GT-PRC (Note)	Interest of controlled corporation	669,939,200	39.03%
Brandes Investment Partners, L.P.	Investment manager	87,654,000	5.11%

Note:

Among the 669,939,200 Shares, 606,460,895 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 669,939,200 Shares held by GT-HK and CGCI-HK.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any person who had any interests or short positions in any Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

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

During the period from 1 January 2019 to 30 June 2019, the Company complied with all code provisions as set out in the CG Code save for the deviation from code provisions A.4.2 and E.1.2.

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.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board of directors should attend the annual general meeting. Mr. Zhang Yichen, the chairman of the Board, was unable to attend the Company's annual general meeting held on 5 June 2019 due to other engagement. In view of his absence, Mr. Zhang had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

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, all of them confirmed that they complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2019 to the date of this interim report.

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

REVIEW OF FINANCIAL INFORMATION

The Company has established the Audit Committee in compliance with Rule 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 2019 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 2019 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 2018 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2019 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 2018 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 2018. 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.

OTHER INFORMATION

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 2019.

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 2019.

CHANGES IN DIRECTORS' INFORMATION

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

1. Mr. Li Yinquan, an independent non-executive Director, has served as independent non-executive director of Kimou Environmental Holding Limited, a company listed on the Stock Exchange (stock code: 6805), since 18 June 2019.

2. Mr. Kong Wei, an independent non-executive Director, has served as independent director of Advanced Micro-Fabrication Equipment Inc. China, a company listed on Science and Technology Innovation Board of Shanghai Stock Exchange (stock code: 688012), since 11 March 2019.

3. Mr. Han Demin, an independent non-executive Director, has served as the honorary chairman（名譽主任委員）of Otolaryngology-Head and Neck Surgeons Branch under Chinese Medical Doctor Association since 4 January 2019.

Save as disclosed above, during the reporting period and up to the date of this report, there were no other changes in information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at 30 June 2019, other than the circumstances as disclosed in the Prospectus and the announcements of the Company dated 6 January 2017, 11 December 2017 and 4 September 2018 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 interim financial information set out on pages 57 to 116, which comprises the 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 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other 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 this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
27 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
REVENUE	5	**3,195,355**	2,094,780
Cost of sales		**(1,550,366)**	(767,807)
Gross profit		**1,644,989**	1,326,973
Other income and gains	5	**28,138**	44,208
Selling and distribution costs		**(172,465)**	(171,216)
Administrative expenses		**(182,566)**	(108,452)
Impairment losses on financial assets, net		**(91,559)**	(19,637)
Other expenses		**(31,487)**	(70,149)
Finance costs		**(1,035)**	(68)
PROFIT BEFORE TAX	6	**1,194,015**	1,001,659
Income tax expense	7	**(321,490)**	(268,406)
PROFIT FOR THE PERIOD		**872,525**	733,253
Attributable to:			
Ordinary shareholders of the parent		**811,985**	735,532
Non-controlling interests		**10,834**	(2,279)
Other equity holders		**49,706**	–
		872,525	733,253
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	9	**0.47**	0.43

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
PROFIT FOR THE PERIOD		**872,525**	733,253
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period		**14,150**	10,175
Reclassification adjustments included in the consolidated statement of profit or loss		**4,695**	(32,675)
Income tax effect		**(17,596)**	5,625
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**1,249**	(16,875)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**873,774**	716,378
Attributable to:			
Ordinary shareholders of the parent		**813,234**	718,657
Non-controlling interests		**10,834**	(2,279)
Other equity holders		**49,706**	–
		873,774	716,378

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,147,331**	271,026
Investment in an associate		**3,579**	–
Right-of-use assets		**576,970**	–
Prepaid land lease payments		**–**	132,134
Goodwill		**69,772**	9,211
Loans and accounts receivable	12	**34,053,570**	31,844,301
Restricted deposits	13	**247,500**	–
Prepayments, deposits and other receivables		**126,745**	–
Derivative financial instruments		**116,480**	81,250
Deferred tax assets		**274,457**	248,471
Other assets		**29,137**	9,953
Total non-current assets		**36,645,541**	32,596,346
CURRENT ASSETS			
Inventories		**93,722**	40,537
Loans and accounts receivable	12	**16,120,838**	11,826,005
Prepayments, deposits and other receivables		**160,109**	71,414
Derivative financial instruments		**3,340**	–
Restricted deposits	13	**2,920,376**	549,152
Cash and cash equivalents	13	**1,633,874**	2,173,473
Total current assets		**20,932,259**	14,660,581
CURRENT LIABILITIES			
Trade payables	14	**662,974**	482,381
Other payables and accruals		**1,247,804**	925,718
Interest-bearing bank and other borrowings	15	**16,270,599**	12,346,798
Derivative financial instruments		**5,794**	1,282
Tax payable		**130,439**	70,143
Total current liabilities		**18,317,610**	13,826,322
NET CURRENT ASSETS		**2,614,649**	834,259
TOTAL ASSETS LESS CURRENT LIABILITIES		**39,260,190**	33,430,605

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	**24,625,256**	20,635,191
Other payables and accruals		**2,642,160**	2,497,091
Derivative financial instruments		**54,076**	41,515
Total non-current liabilities		**27,321,492**	23,173,797
Net assets		**11,938,698**	10,256,808
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	16	**4,327,842**	4,327,842
Reserves	17	**4,473,793**	4,067,769
		8,801,635	8,395,611
Other equity instrument		**1,702,187**	1,652,481
Non-controlling interests		**1,434,876**	208,716
Total equity		**11,938,698**	10,256,808

Peng Jiahong
Director

Yu Gang
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to ordinary shareholders 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)	Hedge reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instrument** RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2018 (Audited)	4,327,842	33,302	539,955	29,248	(72,829)	3,538,093	8,395,611	1,652,481	208,716	10,256,808
Profit for the period	-	-	-	-	-	811,985	811,985	49,706	10,834	872,525
Other comprehensive income for the period										
Cash flow hedges, net of tax	-	-	-	-	1,249	-	1,249	-	-	1,249
Total comprehensive income for the period	-	-	-	-	1,249	811,985	813,234	49,706	10,834	873,774
Dividends (Note 8)	-	-	-	-	-	(407,210)	(407,210)	-	-	(407,210)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	1,215,326	1,215,326
At 30 June 2019 (Unaudited)	4,327,842	33,302	539,955	29,248	(71,580)	3,942,868	8,801,635	1,702,187	1,434,876	11,938,698

* These reserve accounts comprise the consolidated reserves of RMB4,473,793,000 (31 December 2018: RMB4,067,769,000) in the interim condensed consolidated statement of financial position.

** In 2018, China Universal Leasing Co., Ltd., a wholly-owned subsidiary of the Group, issued the first tranche of the bonds (the "T1 Bonds") of renewable corporate bonds with total principal amount of RMB1.66 billion, with a basic term of three years from 27 December 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to the ordinary shareholders 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	–	–	–	–	–	(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 loss									
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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,194,015**	1,001,659
Adjustments for:			
Finance costs		**900,906**	699,749
Interest income	5	**(10,406)**	(24,924)
Derivative instruments – transactions not qualifying as hedges:			
– Unrealised fair value gains, net	6	**(7,347)**	(19,083)
– Realised fair value losses, net	6	**3,450**	15,478
Depreciation and amortisation, exclusive of right-of-use assets		**46,501**	16,819
Depreciation of right-of-use assets		**5,440**	–
Provision for impairment of loans and accounts receivable and other receivables	6	**91,559**	19,637
Losses on disposal of items of property, plant and equipment	6	**121**	–
Foreign exchange losses, net	6	**26,798**	89,812
		2,251,037	1,799,147
Increase in inventories		**(4,569)**	(4,114)
Increase in loans and accounts receivable		**(6,410,091)**	(5,709,375)
(Increase)/decrease in prepayments, deposits and other receivables		**(149,102)**	47,281
Decrease/(increase) in amounts due from related parties		**853**	(2,751)
Increase in other assets		**(802)**	(800)
(Decrease)/increase in trade payables		**(183,574)**	810,292
Increase/(decrease) in other payables and accruals		**157,399**	(98,984)
Increase in amounts due to related parties		**26,785**	2,487
Net cash flows used in operating activities before tax and interest		**(4,312,064)**	(3,156,817)
Interest received		**10,406**	24,924
Income tax paid		**(304,775)**	(293,895)
Net cash flows used in operating activities		**(4,606,433)**	(3,425,788)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from an associate		**441**	–
Realised losses on derivative financial instruments not qualifying as hedges	6	**(3,450)**	(15,478)
(Increase)/decrease in time deposits		**(2,841,285)**	410,104
Acquisition of subsidiaries		**193,168**	–
Proceeds from disposal of items of property, plant and equipment and other non-current assets		**5**	–
Cash paid for acquisition of property, plant and equipment and other non-current assets		**(68,612)**	(4,203)
Net cash flows (used in)/from investing activities		**(2,719,733)**	390,423
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from new borrowings		**15,965,840**	10,460,661
Repayments of borrowings		**(9,384,646)**	(6,502,146)
Cash paid for restricted deposits		**(115,077)**	(97,601)
Decrease in restricted deposits		**394,343**	360,620
Increase in amounts due to related parties		**400,000**	–
Interest paid		**(975,499)**	(630,348)
Principal portion of lease payments		**906,639**	–
Dividends paid		**(407,210)**	(336,793)
Net cash flows from financing activities		**6,784,390**	3,254,393
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(541,776)**	219,028
Cash and cash equivalents at beginning of the period		**2,173,473**	1,749,884
Effect of exchange rate changes on cash and cash equivalents		**2,177**	(24,225)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**1,633,874**	1,944,687

	Notes	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**4,801,750**	2,203,940
Less: Restricted deposits and time deposits		**(3,167,876)**	(259,253)
Cash and cash equivalents as stated in the statement of financial position	13	**1,633,874**	1,944,687
Cash and cash equivalents as stated in the statement of cash flows	13	**1,633,874**	1,944,687

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The financial information relating to the year ended 31 December 2018 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2018. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and prepaid land lease payments. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	154,985
Decrease in prepaid land lease payments	(132,134)
Increase in total assets	22,851
Liabilities	
Increase in interest-bearing bank and other borrowings	22,851
Increase in total liabilities	22,851

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	33,560
Weighted average incremental borrowing rate as at 1 January 2019	4.78%
Discounted operating lease commitments at 1 January 2019	30,396
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	7,545
Add: Commitments relating to leases previously classified as finance leases	1,328,613
Lease liabilities as at 1 January 2019	1,351,464

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (Continued)

Summary of new accounting policies (Continued)

Sale-and-leaseback

HKFRS 16 requires sale-and-leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant assets should be accounted for as a sale. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether a sale-and-leaseback transaction constitutes a sale by a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as long-term receivables arising from sale-and-leaseback arrangements within the scope of HKFRS 9. In accordance with the transition provision of HKFRS 16, sales-and-leaseback transactions entered into before the date of initial application were not reassessed but new requirements would partially impact the Group's sale-and-leaseback transactions entered on or after the date of initial application.

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "interest-bearing bank and other borrowings"), and the movement during the period are as follows:

	Right-of-use assets			Lease liabilities
	Property	Prepaid land lease payments	Total	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
As at 1 January 2019	22,851	132,134	154,985	1,351,464
Additions	825	–	825	994,125
Acquisition of subsidiaries	–	426,600	426,600	–
Depreciation charge	(4,118)	(1,322)	(5,440)	–
Interest expense	–	–	–	36,317
Payments	–	–	–	(198,950)
As at 30 June 2019	19,558	557,412	576,970	2,182,956

The Group recognised a rent expense from short-term leases of RMB7,545,000 for the six months ended 30 June 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. BUSINESS COMBINATIONS

The acquisitions of subsidiaries accounted for as business combinations are set out as follows:

In January 2019, Anhui Huankang Hospital Management Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 100% equity interest in Anhua Hospital Group at a consideration of RMB36,481,000. The acquisition was completed on 1 January 2019 when the Group obtained control of the operating and financial activities of Anhua Hospital Group.

On 19 December 2018, the Group and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd.[i] entered into a cooperation agreement with China XD Group Co., Ltd. ("XD Group") in connection with the formation of Genertec Universal Medical (Xi'an) Co.,Ltd., whose registered capital would be contributed by Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. with cash of amount of RMB550,000,000 and Xi'an XD Group with assessed assets of Xi'an XD Group Hospital, respectively. Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. acquired a 55% equity interest in Genertec Universal Medical (Xi'an) Co.,Ltd.. All of the practicing licenses, qualifications, management team and business resources of the hospital would be succeeded by Genertec Universal Medical (Xi'an) Co.,Ltd.. The acquisition had been completed on 1 January 2019 and accounted for using the acquisition method. The consolidated financial statements include the results of acquired subsidiary since its acquisition date.

3. BUSINESS COMBINATIONS (CONTINUED)

On 28 March 2019, the Group and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. entered into a cooperation agreement with China Railway State Asset Management Co., Ltd. ("CR State Asset") in connection with the formation of Genertec Universal CREC (Xi'an) Hospital Management Co.,Ltd., whose registered capital would be contributed by Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. with cash of amount of RMB234,720,000 and CR State Asset with assessed assets of CRFG Medical Institutions, respectively. Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. acquired a 51% equity interest in Genertec Universal CREC (Xi'an) Hospital Management Co.,Ltd.. All of the practicing licenses, qualifications, management team and business resources of the medical Institutions would be succeeded by Genertec Universal CREC (Xi'an) Hospital Management Co.,Ltd.. The acquisition had been completed on 31 March 2019 and accounted for using the acquisition method. The consolidated financial statements include the results of acquired subsidiary since its acquisition date.

On 21 December 2018, the Group and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. entered into a cooperation agreement with AECC Xi'an Aero-engine Ltd. in connection with the formation of Genertec Universal Xi'an Aero-engine hospital (Xi'an) Co.,Ltd., whose registered capital would be contributed by Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. with cash of amount of RMB400,000,000 and AECC Xi'an Aero-engine Ltd. with assessed assets of AECC Xi'an Aero-engine Hospital, respectively. Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. acquired a 78.48% equity interest in Genertec Universal Xi'an Aero-engine hospital (Xi'an) Co.,Ltd.. All of the practicing licenses, qualifications, management team and business resources of the hospital would be succeeded by Genertec Universal Xi'an Aero-engine hospital (Xi'an) Co.,Ltd.. The acquisition had been completed on 31 March 2019 and accounted for using the acquisition method. The consolidated financial statements include the results of acquired subsidiary since its acquisition date.

On 30 January 2019, the Group and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. entered into a cooperation agreement with Ansteel Group Corporation Limited ("Ansteel Group") in connection with the formation of Genertec Ansteel Hospital Management Co.,Ltd., whose registered capital would be contributed by Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. with cash of amount of RMB501,670,000 and Ansteel Group with assessed equity of Ansteel Group (Anshan) Health Industry Co., Ltd. and assessed assets of Ansteel Group General Hospital, respectively. Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. acquired a 51.15% equity interest in Genertec Ansteel Hospital Management Co.,Ltd.. All of the practicing licenses, qualifications, management team and business resources of the company and the hospital would be succeeded by Genertec Ansteel Hospital Management Co.,Ltd.. The acquisition had been completed on 1 May 2019 and accounted for using the acquisition method. The consolidated financial statements include the results of acquired subsidiary since its acquisition date.

Note (i): On 26 April 2019, Wiseman Hospital Investment Management (Tianjin) Co., Ltd. changed its name to Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd..

3. BUSINESS COMBINATIONS (CONTINUED)

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the period as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000 (Unaudited)
Assets	
Property, plant and equipment	851,987
Right-of-use assets	426,600
Cash	719,687
Trade receivables	186,202
Prepayments, deposits and other receivables	37,250
Receivable of consideration to be paid as capital injection	1,184,720
Inventories	48,616
Investment in an associate	4,020
Other assets	18,610
	3,477,692
Liabilities	
Trade payables	364,167
Interest-bearing bank and other borrowings	16,000
Other payables and accruals	219,889
	600,056
Total identifiable net assets at fair value	2,877,636
Non-controlling interests	(1,215,326)
Goodwill arising on acquisition	60,561
Purchase consideration transferred	1,722,871
Including:	
Consideration paid as additional capital injection to the subsidiary upon acquisition	513,302
Consideration paid as additional capital injection to the subsidiary after acquisition	1,184,720
Consideration paid upon acquisition	24,849
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiaries included in cash flows from investing activities	218,017
Cash paid	(24,849)
Net inflow of cash and cash equivalents included in cash flows from investing activities	193,168
Transaction costs of the acquisition included in cash flows from operating activities	203

3. BUSINESS COMBINATIONS (CONTINUED)

The Group incurred transaction costs of RMB203,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of profit or loss.

The assessments of the fair values of the identifiable assets and liabilities are still ongoing and the information of the fair values of the identifiable assets and liabilities is provisional. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ending 31 December 2019.

4. OPERATING SEGMENT INFORMATION

During the period, the Group acquired a number of Hospitals. Thus, from 2019, for management purposes, the Group is organised into two operating segments, namely the finance and advisory business and hospital group business based on the internal organisational structure, management's requirement and the internal reporting system:

- The finance and advisory business comprises primarily (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) operating leases; (e) advisory services and (f) import and export trade and domestic trade of medical-related goods.

- The hospital group business comprises primarily (a) medical services; (b) hospital and healthcare management.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Segment revenue, results and assets mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intersegment transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

As a result of the changes to reportable segments and segment presentation, the prior year segment information for the period ended 30 June 2018 has been re-presented to conform with the revised presentation.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the six months ended 30 June 2019

	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:				
Sales to external customers	2,471,613	723,742	–	3,195,355
Cost of sales	(923,353)	(635,638)	8,625	(1,550,366)
Other income and gains	23,773	12,990	(8,625)	28,138
Selling and distribution costs and administrative expenses	(287,024)	(68,007)	–	(355,031)
Impairment losses on financial assets, net	(83,914)	(7,645)	–	(91,559)
Other expenses	(31,340)	(147)	–	(31,487)
Finance costs	(359)	(676)	–	(1,035)
Profit before tax	1,169,396	24,619	–	1,194,015
Income tax expense	(319,339)	(2,151)	–	(321,490)
Profit after tax	850,057	22,468	–	872,525
Segment assets	54,840,466	4,656,994	(1,919,660)	57,577,800
Segment liabilities	46,744,729	814,033	(1,919,660)	45,639,102
Other segment information:				
Impairment losses recognised in the statement of profit or loss	83,914	7,645	–	91,559
Depreciation and amortisation	12,144	39,797	–	51,941
Capital expenditure	2,983	65,629	–	68,612

4. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the six months ended 30 June 2018

	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:				
Sales to external customers	2,037,781	56,999	–	2,094,780
Intersegment sales	345	–	(345)	–
Cost of sales	(714,891)	(52,916)	–	(767,807)
Other income and gains	44,152	56	–	44,208
Selling and distribution costs and administrative expenses	(266,520)	(13,148)	–	(279,668)
Impairment losses on financial assets, net	(19,785)	148	–	(19,637)
Other expenses	(70,136)	(13)	–	(70,149)
Finance costs	–	(413)	345	(68)
Profit/(loss) before tax	1,010,946	(9,287)	–	1,001,659
Income tax expense	(268,137)	(269)	–	(268,406)
Profit/(loss) after tax	742,809	(9,556)	–	733,253
Segment assets	42,838,922	110,752	(1,000)	42,948,674
Segment liabilities	35,080,302	36,502	(1,000)	35,115,804
Other segment information:				
Impairment losses recognised in the statement of profit or loss	19,785	(148)	–	19,637
Depreciation and amortisation	16,486	333	–	16,819
Capital expenditure	2,389	1,814	–	4,203

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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 property, plant and equipment 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

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Finance lease income	**1,693,676**	1,507,885
Long-term receivable income arising from sale-and-leaseback arrangement (Note i)	**205,448**	–
Revenue from contracts with customers		
Service fee income	**560,949**	532,757
Sale of goods	**74,076**	62,025
Healthcare service income	**666,465**	–
Revenue from other sources		
Operating lease income	**4,438**	4,700
Others	**1,754**	115
Tax and surcharges	**(11,451)**	(12,702)
	3,195,355	2,094,780

Note i: Upon the application of HKFRS 16 on 1 January 2019, part of the receivables arising from sale-and-leaseback transactions newly entered into on or after 1 January 2019 is classified as long-term receivables. Accordingly, the related income is all interest revenue calculated using the effective interest method.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or service			
Service fee income	560,949	–	560,949
Sale of goods	17,717	56,359	74,076
Healthcare service income	–	666,465	666,465
Total revenue from contracts with customers	578,666	722,824	1,301,490
Geographical markets			
Mainland China	578,666	722,824	1,301,490
Total revenue from contracts with customers	578,666	722,824	1,301,490
Timing of revenue recognition			
Goods transferred at a point in time	17,717	56,359	74,076
Services transferred at a point in time	560,949	666,465	1,227,414
Total revenue from contracts with customers	578,666	722,824	1,301,490

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (Continued)

For the six months ended 30 June 2018

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or service			
Service fee income	532,757	–	532,757
Sale of goods	4,957	57,068	62,025
Total revenue from contracts with customers	537,714	57,068	594,782
Geographical markets			
Mainland China	537,714	57,068	594,782
Total revenue from contracts with customers	537,714	57,068	594,782
Timing of revenue recognition			
Goods transferred at a point in time	4,957	57,068	62,025
Services transferred at a point in time	532,757	–	532,757
Total revenue from contracts with customers	537,714	57,068	594,782

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the six months ended 30 June 2019

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	**578,666**	**722,824**	**1,301,490**
Intersegment sales	**–**	**–**	**–**
Intersegment adjustments and eliminations	**–**	**–**	**–**
Total revenue from contracts with customers	**578,666**	**722,824**	**1,301,490**

For the six months ended 30 June 2018

Segments	Finance and advisory RMB'000	Hospital group RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	537,714	57,068	594,782
Intersegment sales	345	–	345
Intersegment adjustments and eliminations	(345)	–	(345)
Total revenue from contracts with customers	537,714	57,068	594,782

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income and gains		
Bank Interest income	**10,406**	24,924
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value gains, net	**7,347**	19,083
Government grants (note 5a)	**9,964**	–
Others	**421**	201
	28,138	44,208

5a. GOVERNMENT GRANTS

	2019	2018
	RMB'000	RMB'000
Government special subsidies	**9,964**	–

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of borrowings included in cost of sales	**900,376**	699,749
Cost of inventories sold	**58,078**	55,422
Cost of operating leases	**4,633**	12,636
Cost of healthcare services	**586,997**	–
Cost of others	**282**	–
Depreciation and amortisation recognised as an expense	**7,510**	4,183
Losses on disposal of items of property, plant and equipment	**121**	–
Employee benefit expense recognised as an expense (including directors' remuneration)		
– Wages and salaries	**236,273**	186,823
– Pension scheme contributions	**20,185**	16,735
– Other employee benefits	**27,502**	14,144
	283,960	217,702
Impairment of loans and accounts receivable and other receivables	**91,559**	19,637
Foreign exchange losses, net	**26,798**	53,561
– Cash flow hedges (transfer from equity to offset foreign exchange)	**4,695**	(32,675)
– Others	**22,103**	86,236
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value gains, net	**(7,347)**	(19,083)
– Realised fair value losses, net	**3,450**	15,478

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**362,912**	285,066
Underprovision in prior years	**2,159**	2,061
Deferred tax	**(43,581)**	(18,721)
Total tax charge for the period	**321,490**	268,406

Hong Kong profits tax is provided at the rate of 16.5% (six months ended 30 June 2018: 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 2019 (six months ended 30 June 2018: 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 0% to 25% (six months ended 30 June 2018: 25%) on the estimated assessable profits for the six months ended 30 June 2019 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**1,194,015**	1,001,659
At PRC statutory income tax rate	**298,504**	250,415
Expenses not deductible for tax purposes	**2,187**	2,526
Income not subject to tax	**(9,275)**	(13,186)
Adjustment on current income tax in respect of prior years	**2,159**	2,061
Unrecognised tax losses	**14,807**	14,661
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**13,108**	11,929
Income tax expense as reported in the interim condensed consolidated statement of profit or loss	**321,490**	268,406

8. DIVIDENDS

A final dividend of HK$0.27 per share totalling HK$463,402,000 (equivalent to RMB407,210,000) in respect of the year ended 31 December 2018 had been approved at the annual general meeting of the Company held on 5 June 2019 and was paid on 25 June 2019.

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 2019 (six months ended 30 June 2018: Nil).

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

Basic earnings per share for the six months ended 30 June 2019 and 2018 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**811,985**	735,532

Shares

	Number of shares	
	For the six months ended 30 June	
	2019	2018
	(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 2019 and 2018 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 2019, the Group acquired property, plant and equipment at a total cost of RMB920,081,000 (six months ended 30 June 2018: RMB3,064,000), including those through acquisition of subsidiaries.

Assets with a net book value of RMB126,000 were disposed of by the Group during the six months ended 30 June 2019 (30 June 2018: Nil), resulting in a net loss on disposal of RMB121,000 (30 June 2018: Nil).

11. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Financial assets		
Debt instruments at amortised cost:		
Loans and accounts receivable	**50,174,408**	43,670,306
Financial assets included in prepayments, deposits and other receivables	**247,195**	24,431
Restricted deposits	**3,167,876**	549,152
Cash and cash equivalents	**1,633,874**	2,173,473
Financial assets at fair value through profit or loss:		
Derivative financial assets	**22,225**	69,620
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedging	**97,595**	11,630
Total	**55,343,173**	46,498,612
Financial liabilities		
Financial liabilities at amortised costs:		
Trade payables	**662,974**	482,381
Financial liabilities included in other payables and accruals	**3,133,185**	3,783,862
Interest-bearing bank and other borrowings	**40,895,855**	32,981,989
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities	**9,721**	8,317
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedging	**50,149**	34,480
Total	**44,751,884**	37,291,029

12. LOANS AND ACCOUNTS RECEIVABLE

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Loans and accounts receivable due within one year	**16,120,838**	11,826,005
Loans and accounts receivable due after one year	**34,053,570**	31,844,301
	50,174,408	43,670,306

12a. Loans and accounts receivable by nature

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Gross lease receivables (note 12b)*	**46,556,428**	52,064,559
Less: Unearned finance income	**(6,355,744)**	(7,793,895)
Net lease receivables (note 12b)*/**	**40,200,684**	44,270,664
Long-term receivables arising from sale-and-leaseback arrangements (note 12c)*/**	**10,462,175**	–
Subtotal of Interesting-bearing assets	**50,662,859**	44,270,664
Accounts receivable (note 12d)*	**281,989**	85,315
Subtotal of loans and accounts receivable	**50,944,848**	44,355,979
Less:		
Provision for accounts receivable (note 12d)	**(1,231)**	(378)
Provision for long-term receivables arising from sale-and-leaseback arrangements (note 12e)	**(87,863)**	–
Provision for lease receivables (note 12e)	**(681,346)**	(685,295)
	50,174,408	43,670,306

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

** These balances are included in the interest-bearing assets disclosed in note 12e and note 12f.

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Gross lease receivables		
Within 1 year	**10,993,469**	22,205,420
1 to 2 years	**17,977,172**	15,526,914
2 to 3 years	**10,976,259**	9,924,656
3 years and beyond	**6,609,528**	4,407,569
Total	**46,556,428**	52,064,559
Net lease receivables		
Within 1 year	**9,057,640**	18,267,549
1 to 2 years	**15,470,500**	13,351,465
2 to 3 years	**9,683,745**	8,693,929
3 years and beyond	**5,988,799**	3,957,721
Total	**40,200,684**	44,270,664

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Gross lease receivables		
Due within 1 year	**15,818,232**	14,911,405
Due in 1 to 2 years	**13,797,509**	14,921,639
Due in 2 to 3 years	**9,626,855**	11,188,175
Due after 3 years and beyond	**7,313,832**	11,043,340
Total	**46,556,428**	52,064,559
Net lease receivables		
Due within 1 year	**13,176,430**	11,994,156
Due in 1 to 2 years	**11,747,858**	12,441,386
Due in 2 to 3 years	**8,515,515**	9,732,913
Due after 3 years and beyond	**6,760,881**	10,102,209
Total	**40,200,684**	44,270,664

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the reporting period.

As at 30 June 2019, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB6,803,986,000 (31 December 2018: RMB4,855,986,000).

12. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

12c (1). An ageing analysis of long-term receivables arising from sale-and-leaseback arrangements, determined based on the age of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period is as follows:

	30 June 2019 RMB'000 (Unaudited)
Within 1 year	**10,462,175**
Total	**10,462,175**

12c (2). The table below illustrates the amounts of long-term receivables arising from sale-and-leaseback arrangements that the Group expects to receive in the following consecutive accounting years:

	30 June 2019 RMB'000 (Unaudited)
Due within 1 year	**2,983,317**
Due in 1 to 2 years	**2,025,899**
Due in 2 to 3 years	**2,030,131**
Due after 3 years and beyond	**3,422,828**
Total	**10,462,175**

Upon the application of HKFRS 16 on 1 January 2019, part of the receivables arising from sale-and-leaseback transactions newly entered into on or after 1 January 2019 is classified as long term receivables arising from sale-and-leaseback arrangements within the scope of HKFRS 9. The measurement of sale-and-leaseback transactions entered before 1 January 2019 remains unchanged.

As at 30 June 2019, the Group's long-term receivables arising from sale-and-leaseback arrangements pledged or charged as security for the Group's bank and other borrowings amounted to RMB347,451,000.

12. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

12d (1). 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 1 year	**272,668**	82,033
More than 1 year	**9,321**	3,282
Total	**281,989**	85,315

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

12d (2). Provision for accounts receivable

	At beginning of period/year RMB'000 (Audited)	Acquisition of subsidiaries RMB'000 (Unaudited)	Provision RMB'000 (Unaudited)	Reverse RMB'000 (Unaudited)	Write-off RMB'000 (Unaudited)	At end of period/year RMB'000 (Unaudited)
30 June 2019	**378**	**688**	**7,487**	**–**	**(7,322)**	**1,231**
31 December 2018	558	–	280	(460)	–	378

12. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

12e. Analysis of interest-bearing assets by assessments

	Stage I (12-month ECL) RMB'000 (Unaudited)	Stage II (Lifetime ECL) RMB'000 (Unaudited)	Stage III (Lifetime ECL – impaired) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
As at 30 June 2019				
Interest-bearing assets	42,564,758	7,693,819	404,282	50,662,859
Allowance for impairment losses	(379,805)	(243,930)	(145,474)	(769,209)
Interest-bearing assets, net	42,184,953	7,449,889	258,808	49,893,650

12f. Change in provision for interest-bearing assets

The Group has applied the general approach to providing for expected credited losses ("ECL") prescribed by HKFRS 9 from 1 January 2019, which permits the use of either a twelve-month basis or a lifetime basis to record expected credit losses based on an expected credit loss model for interest-bearing assets.

The Group has conducted an assessment of ECL according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards, such as the criteria for judging significant increases in credit risk, definition of credit-impaired financial assets, parameters for measuring ECL and forward-looking information.

12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

12f. Change in provision for interest-bearing assets (Continued)

	Six months period ended 30 June 2019			
	Stage I (12-month ECL) RMB'000 (Unaudited)	Stage II (Lifetime ECL) RMB'000 (Unaudited)	Stage III (Lifetime ECL – impaired) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At beginning of the period	381,781	181,272	122,242	685,295
Impairment losses for the period	3,157	9,870	70,887	83,914
Conversion to Stage I	31,330	(31,330)	–	–
Conversion to Stage II	(36,463)	88,349	(51,886)	–
Conversion to Stage III	–	(4,231)	4,231	–
At end of the period	379,805	243,930	145,474	769,209

	Year ended 31 December 2018 RMB'000 (Audited)	Six months period ended 30 June 2018 RMB'000 (Unaudited)
At beginning of year/period	518,397	518,397
Effect of adoption of HKFRS 9	20,722	20,722
At beginning of year/period (restated)	539,119	539,119
Impairment losses	146,176	19,785
At the year/period end	685,295	558,904

12. LOANS AND ACCOUNTS RECEIVABLE (CONTINUED)

12g. Balances With Related Parties

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

Name	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Gross lease receivables:			
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	(i)	**1,954**	2,687
Net lease receivables:			
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	(i)	**1,825**	2,457
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").

Notes:

(i) The balances of the net lease receivables bore interest at the annual interest rate of 8.69%.

(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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash and bank balances	**1,795,980**	2,614,953
Time deposits	**3,005,770**	107,672
	4,801,750	2,722,625
Less:		
Pledged deposits	**(162,106)**	(441,480)
Time deposits with original maturity of more than three months	**(3,005,770)**	(107,672)
Cash and cash equivalents	**1,633,874**	2,173,473

As at 30 June 2019, the cash and bank balances of the Group denominated in RMB amounted to RMB1,866,877,000 (31 December 2018: RMB2,152,030,000). 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 2019, cash of RMB162,106,000 (31 December 2018: RMB441,480,000) was pledged for bank and other borrowings.

As at 30 June 2019, cash of RMB271,267,000 (31 December 2018: RMB651,293,000) was deposited with Genertec Finance Co., Ltd., which is a related party.

14. TRADE PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	**662,829**	482,236
Due to related parties (note 14a)	**145**	145
	662,974	482,381

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 1 year	**640,566**	466,068
1 to 2 years	**1,741**	42
2 to 3 years	**1,745**	7,606
Over 3 years	**18,922**	8,665
	662,974	482,381

14. TRADE PAYABLES (CONTINUED)

14a. Balances with Related Parties

Particulars of amounts due to related parties are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables:		
Genertec International Logistic Co., Ltd.	**61**	61
Genertec Italia s.r.l.	**84**	84
	145	145

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 2019 (Unaudited)			31 December 2018 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – secured	3.35~4.57	2019~2020	90,000	–	–	–
– unsecured	3.38~5.22	2019~2020	5,296,160	3.43~5.22	2019	2,146,653
Current portion of long-term bank loans:						
– secured	4.28~5.70	2019~2020	753,093	4.28~5.70	2019	582,125
– unsecured	4.28~5.94	2019~2020	3,225,184	4.28~5.94	2019	3,160,445
Current portion of long-term other loans:						
– unsecured	–	–	–	5.00	2019	450,000
Lease Liabilities						
– secured	4.75~5.04	2019~2020	853,473	4.75~5.04	2019	321,232
– unsecured	4.75~4.90	2019~2020	8,085	–	–	–
Bonds payables						
– secured	5.50~6.43	2020	546,035	–	–	–
– unsecured	2.90~5.50	2020	4,500,000	4.08~5.50	2019	4,687,901
Due to a related party						
– unsecured	4.35~4.75	2019~2020	998,569	4.75	2019	998,442
			16,270,599			12,346,798
Non-current:						
Bank loans – secured	4.50~5.51	2020~2023	1,335,241	4.75~5.70	2020~2023	1,152,033
– unsecured	3.81~5.94	2020~2022	11,591,491	2.42~5.94	2020~2022	9,402,798
Bonds payable						
– secured	–	–	–	5.50~6.43	2020	546,169
– unsecured	3.13~6.50	2021~2024	8,979,598	3.13~6.50	2021~2023	7,530,288
Lease Liabilities						
– secured	4.75~5.46	2020~2023	1,310,688	4.75~5.04	2020~2022	1,007,381
– unsecured	4.75~4.90	2020~2025	8,652	–	–	–
Due to a related party						
– unsecured	4.35~4.75	2020~2022	1,399,586	4.75	2020~2021	996,522
			24,625,256			20,635,191
			40,895,855			32,981,989

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	**9,364,437**	5,889,223
In the second year	**6,057,073**	2,857,355
In the third to fifth years, inclusive	**6,869,659**	7,697,476
	22,291,169	16,444,054
Other borrowings repayable:		
Within one year	**6,906,163**	6,457,575
In the second year	**1,903,067**	1,871,169
In the third to fifth years, inclusive	**9,795,456**	8,209,191
	18,604,686	16,537,935
	40,895,855	32,981,989

Notes:

(a) As at 30 June 2019, the Group's bank and other borrowings secured by lease receivables, cash and bank balances and time deposits were RMB4,888,530,000 (31 December 2018: RMB3,608,940,000).

(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 2019, the amortised cost of the debt securities issued amounted to RMB546,035,000 (31 December 2018: RMB546,169,000).

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

(c) As at 30 June 2019, the principle amount of Group's borrowings from related parties were RMB1,000,000,000 from Genertec Finance Co., Ltd., RMB1,000,000,000 from China General Technology (Group) Holding Company Limited (PRC) and RMB400,000,000 from Genertec HONGKONG International Capital Limited, and RMB2,058,000 from Paryocean Properties Co., Ltd. (31 December 2018: RMB1,000,000,000 from Genertec Finance Co., Ltd. and RMB1,000,000,000 from China General Technology (Group) Holding Company Limited. (PRC)).

(d) As at 30 June 2019, the amount of bank and other borrowings of the Group guaranteed by Genertec Group is RMB9,341,200,000 (31 December 2018: RMB6,576,849,000).

16. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2019	31 December 2018	**30 June 2019 RMB'000**	31 December 2018 RMB'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
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 2019 and 31 December 2018 (Audited)	1,716,304,580	4,327,842
As at 30 June 2019 (Unaudited)	1,716,304,580	4,327,842
As at 1 January 2018 and 31 December 2017 (Audited)	1,716,304,580	4,327,842
As at 31 December 2018 (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 information 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.

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 information.

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 information.

20. COMMITMENTS

The Group had the following capital commitments and credit commitments at the end of the reporting period:

(a) Capital commitments

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted, but not provided for	**84,617**	30,120

In addition to the capital commitments listed above, the Group has agreed with certain parties related hospital investment and cooperation including,

i) The Group entered into a Cooperation Agreement with First Affiliated Hospital of Xi'an Jiaotong University ("First Affiliated Hospital") on 30 August 2016, pursuant to which the Group has agreed to (i) establish a wholly-owned project company (the "Project Company") to construct Xi'an Jiaotong University International Land Port Hospital ("International Land Port Hospital") for First Affiliated Hospital (the "Project Construction"), provide a total amount of no more than RMB2 billion in cash to fund the project and manage and operate International Land Port Hospital in a manner as agreed by both parties after the completion of the Project Construction; and (ii) through the Project Company, make a capital contribution of RMB28,000,000 to establish a company with First Affiliated Hospital to provide services including procurement and logistics to International Land Port Hospital, First Affiliated Hospital and other third party hospitals.

   As of 30 June 2019, the Group has invested RMB84,437,000 to establish the Project Company Xi'an Ronghui Hospital Construction Management Co., Ltd., and invested RMB17,200,000 to establish company Xi'an Wanheng Medical Technology Development Co., Ltd. to provide services including procurement and logistics to International Land Port Hospital, First Affiliated Hospital and other third party hospitals.

20. COMMITMENTS (CONTINUED)

(a) Capital commitments (Continued)

ii) 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 of Handan First Hospital, which will be a new branch of Handan First Hospital. Pursuant to the Cooperation Agreement, the Company has agreed to establish a wholly-owned project company to construct the new east district of Handan First Hospital, provide a total amount of no more than RMB2,000,000,000 in cash to fund the Project Construction, and participate in the management and operation of Handan First Hospital (including the new east district of Handan First Hospital) in a manner as agreed by all parties; and through the Project Company, make a capital contribution of no more than RMB28,000,000 to establish a joint venture with Handan First Hospital to provide medical supply procurement services to Handan First Hospital (including the new east district of Handan First Hospital).

Until the six months ended 30 June 2019, the Group has invested RMB2,300,000 to establish the Project Company Genertec Universal Medical Hospital Management Handan Co., Ltd. to provide medical supply procurement services to Handan First Hospital (including the new east district of Handan First Hospital).

iii) On 18 March 2019, the Group and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Company, entered into a cooperation agreement (the "Cooperation Agreement I") with CEC Caihong Group Co., Ltd. in connection with the formation of a joint venture. Pursuant to the Cooperation Agreement I, the total investment of the joint venture is RMB380,000,000, of which Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. will contribute RMB200,000,000 in cash and CEC Caihong will contribute the entire equity interest of Xianyang Caihong Hospital in an amount of RMB180,000,000, respectively. The registered capital of the joint venture will be RMB380,000,000 and will be held by Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. and CEC Caihong as to 52.63% and 47.37%, respectively. After the establishment of the joint venture, it will become the new promoter of Xianyang Caihong Hospital in replacement of CEC Caihong.

20. COMMITMENTS (CONTINUED)

(a) Capital commitments (Continued)

iv) On 31 January 2019, the Group and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Company, entered into a cooperation agreement (the "Cooperation Agreement II") with Panzhihua Iron and Steel (Group) Company Limited and Panzhihua Pangang Group Mining Company, a wholly-owned subsidiary of Pangang Group, in connection with the formation of a joint venture. Pursuant to the Cooperation Agreement II, the total investment of the joint venture is RMB1,000,000,000, of which Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. will contribute RMB533,000,000 in cash and Pangang Group will contribute RMB462,600,000 with the equity of Sichuan Zhongqi Health Industry Co., Ltd., the promoter of Pangang Group General Hospital and the manager of Pangang Group Chengdu Hospital, and Pangang Mining will contribute RMB4,400,000 with certain assets, respectively. The registered capital of the Joint Venture will be RMB1,000,000,000. Therefore, the registered capital of the joint venture, upon its establishment, will be held by Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., Pangang Group and Pangang Mining as to 53.30%, 46.26% and 0.44%, respectively.

(b) Credit commitments

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Credit commitments	**833,949**	1,722,496

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

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 12, 13, 14 and 15 to the interim condensed consolidated financial information, 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, the 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Due from related parties		
Genertec Finance Co., Ltd.	**–**	381
General Technology Group Property Management Ltd.	**1,011**	994
Paryocean Properties Co., Ltd.	**211**	315
China National Corporation For Overseas Economic Cooperation	**–**	112
China National Instruments Import & Export (Group) Corporation	**358**	–
Genertec International Logistic Co., Ltd.	**1**	–
	1,581	1,802

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

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(ii) Other payables and accruals

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Due to a related party		
China General Technology (Group) Holding Company Limited	**25,597**	–
Genertec Finance Co., Ltd.	**1,188**	–
	26,785	–

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 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Genertec Finance Co., Ltd.	**3,400**	2,685

The interest was charged at the rate of 1.27% per annum.

21. 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Genertec Italia s.r.l.	**–**	2,029
China National Instruments Import & Export (Group) Corporation	**1,935**	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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
China National Corporation For Overseas Economic Cooperation	**348**	674
China General Technology (Group) Holding Company Limited	**–**	1,656
General Technology Group Property Management Ltd.	**5,780**	5,395
Paryocean Properties Co., Ltd.	**–**	344

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

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(vi) Interest expense

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Paryocean Properties Co., Ltd.	**550**	–
China General Technology (Group) Holding Company Limited	**23,618**	–
Genertec Finance Co., Ltd.	**23,882**	60,018

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

(vii) Finance lease income

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	**88**	131

The finance lease income was received at a rate of 8.69% per annum.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(viii) Transportation expense

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Genertec International Logistics Co., Ltd.	**–**	32

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.

(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 2019 and 31 December 2018 and the relevant interest earned and paid during the six months ended 30 June 2019 and 2018 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**3,840**	3,996
Total compensation	**3,840**	3,996

22. 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 in 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, the current portion of financial assets included in deposits and other receivables, trade payables, short-term borrowings and the 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, long-term receivables, long-term restricted deposits and long-term interest-bearing bank and other borrowings excluding bonds issued

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

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 in the statement of financial position.

	Carrying amounts		Fair values	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Bonds issued	**14,025,632**	12,765,188	**14,051,038**	12,762,340

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

Financial instruments not measured at fair value (Continued)

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

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

Financial instruments measured at fair value

Interest rate swap contracts

The Group enters into several derivative financial instrument contracts with two counterparties, are interest rate swaps measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs including the credit quality of the counterparty and yield curves.

Forward currency contracts

The Group enters into several derivative financial instrument contracts with six counterparties, are foreign exchange rate swaps measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs.

Non-deliverable currency options

The Group enters into several derivative financial instrument contracts with one counterparty, are foreign exchange rate options measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs.

Cross-currency interest rate swaps

The Group enters into several derivative financial instrument contracts with two counterparties, are cross-currency interest rate swaps measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs.

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

Fair value hierarchy

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

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

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

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

The fair value of the 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 2019, fair value changes resulting from changes in the unobservable inputs were not significant.

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

Fair value hierarchy (Continued)

Assets and liabilities measured at fair value:

As at 30 June 2019 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Interest rate swap contracts	–	4	–	4
– Forward currency contracts	–	116,476	–	116,476
– Cross-currency interest rate swaps	–	3,340	–	3,340
Derivative financial liabilities				
– Interest rate swap contracts	–	50,149	–	50,149
– Forward currency contracts	–	5,235	–	5,235
– Non-deliverable currency options	–	3,927	–	3,927
– Cross-currency interest rate swaps	–	559	–	559

As at 31 December 2018 (Audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Forward currency contracts	–	81,250	–	81,250
Derivative financial liabilities				
– Interest rate swap contracts	–	152	–	152
– Forward currency contracts	–	34,480	–	34,480
– Non-deliverable currency options	–	6,883	–	6,883
– Cross-currency interest rate swaps	–	1,282	–	1,282

22. 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 2019 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	**13,591,404**	**459,634**	**–**	**14,051,038**

As at 31 December 2018 (Audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	12,269,370	492,970	–	12,762,340

During the six months ended 30 June 2019, 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 2018: Nil).

23. EVENTS AFTER THE REPORTING PERIOD

As of 27 August 2019, there were no significant events after the reporting period.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 27 August 2019.

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