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

ANNUAL REPORT 2020

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)
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. Han Demin
Mr. Liao Xinbo

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. Liao Xinbo

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. Ng Wai Kam

AUTHORISED REPRESENTATIVES

Ms. Peng Jiahong
Ms. Ng Wai Kam

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

4th, 5th and 13th Floor
West Wing of Hademen Plaza
8-1 Chongwenmenwai Street
Dongcheng District
Beijing, China

SHARE REGISTRAR

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

AUDITORS

Ernst & Young
(Public Interest Entity Auditor
registered in accordance with
the Financial Reporting Council
Ordinance)

LEGAL ADVISER

Wilson Sonsini Goodrich & Rosati

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

www.umcare.cn

STOCK CODE

2666

* *Resigned with effect from 6 March 2021*

DEFINITION

"2021 AGM"	the annual general meeting of the Company to be held on 8 June 2021
"Ansteel Group Hospital"	Ansteel Group General Hospital (鞍鋼集團公司總醫院)
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"CG Code"	the "Corporate Governance Code" contained in Appendix 14 to the Listing Rules
"CITIC Capital"	CITIC Capital Holdings Limited
"CITIC Capital (Tianjin)"	CITIC Capital Equity Investment (Tianjin) Corporation Limited (中信資本股權投資(天津)股份有限公司)
"CITIC CPL"	CITIC Capital Partners Limited
"CNTIC"	China National Technical Import & Export Corporation (中國技術進出口總公司), a company incorporated in the PRC and a wholly-owned subsidiary of GT-PRC
"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
"CR State Asset"	China Railway State Asset Management Co., Ltd. (中鐵國資資產管理有限公司)
"CULC"	China Universal Leasing Co., Ltd. (中國環球租賃有限公司), a wholly foreign-owned enterprise incorporated in China on 1 November 1984 and a wholly-owned subsidiary of the Company
"CVA"	cerebral vascular accident
"DIP"	Big Data Diagnosis – Intervention Packet (基於大數據的病種)
"Director(s)"	the director(s) of the Company
"DRG"	Diagnosis Related Groups (按疾病診斷相關分組)
"Evergreen"	Evergreen021 Co., Ltd, a company incorporated under the laws of the British Virgin Islands on 14 August 2014 with limited liability
"Existing Minmetals Investors"	Minmetals Assets Management Company Limited (五礦資產經營管理有限公司), China MCC 5 Group Co., Ltd. (中國五冶集團有限公司), China MCC 19 Group Co., Ltd. (中國十九冶集團有限公司), China MCC 17 Group Co., Ltd. (中國十七冶集團有限公司) and Minmetals (Handan) Real Estate Management Company Limited (五礦(邯鄲)房產管理有限公司)
"Group", "we" or "us"	the Company and its subsidiaries

"GT-HK"	Genertec Hong Kong International Capital Limited (通用技術集團香港國際資本有限公司), a company incorporated under the laws of Hong Kong on 24 March 1994 with limited liability, an indirect wholly-owned subsidiary of GT-PRC, 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), which is a state-owned enterprise under the direct administration of the PRC central government, the controlling shareholder of the Company
"HKD"	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."	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
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"New Minmetals Investors"	Beijing Haide Ruixiang Assets Management Co., Ltd. (北京海德瑞祥資產管理有限公司) and Beijing Dongxing Metallurgical New-Tech & Development Corporation. (北京東星冶金新技術開發有限公司)
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China"	The People's Republic of China, for the purpose of this 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"	Hong Kong Securities and Futures Ordinance
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme adopted by the Company on 31 December 2019
"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

COMPANY PROFILE

Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) ("Universal Medical") is a listed company under China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), a backbone state-owned enterprise under direct administration of the PRC central government, and a conglomerate controlled by the central enterprise and focusing on healthcare industry. Universal Medical was listed on the Main Board of the Stock Exchange in July 2015, stock code: 2666.

With the operation center located in Beijing, we have over 50 medical institutions distributed in 11 provinces and municipalities including Shaanxi, Shanxi, Anhui, Hebei, Sichuan and Liaoning, with a capacity of over 15,000 beds in total. We have been fully engaged in China's fast-growing medical and healthcare industry for years. Leveraging core competencies in modern managerial idea, professional talent team, quality medical resources, diversified financial strength as well as inclusive and enterprising corporate culture, we strive to build up a trustworthy healthcare conglomerate focusing on medical services and supported by financial services so as to gradually build a shared and win-win healthcare industrial ecosystem.

Universal Medical shoulders the mission as a central enterprise to actively respond to the "Healthy China" strategy and strive to contribute to China's healthcare undertakings.

CEO'S STATEMENT

Dear shareholders,

The year of 2020 is destined to be an extraordinary year in human history, as the COVID-19 epidemic swept up the world and brought unprecedented challenges to the economic order as well as the public health security of all countries. The transformation unseen in a century has been accelerated and the world is entering into a period of turbulence and transformation. Facing the complex and grave external situation, Universal Medical forged ahead against all odds and made new progress despite the challenges. Focusing on the goal of building a trustworthy healthcare conglomerate, it has always implemented it with focuses on serving the country's development strategies and achieving high-quality development. We overcame various unfavorable conditions and forged ahead with determination to steadily develop our financial business and further promote our healthcare business. In this way, we built the core capabilities of the healthcare conglomerate, further strengthened the foundation of our development, and steadily enhanced our competitiveness.

Looking back at 2020, we put up a strong defense to contain the epidemic through a united will. Universal Medical worked hard to fight the epidemic with people nationwide. Plunging into the fray in Wuhan, Xinjiang, Chengdu and Shijiazhuang, our medical staff were always on the front line of the battle against COVID-19. Our supporting staff were fully committed to guaranteeing the front-line medical supplies, and our Internet medical platform provided remote assistance for overseas epidemic prevention. We took actions to build a strong barrier to prevent and control the epidemic and protect people's health.

In 2020, we charted the course and built synergy for development. We carried out strategic planning and deployment based on our strategic insights, and systematically sorted out and pondered over the internal and external environment, and our strengths and weaknesses. By doing this, we further identified the strategies for the development of the Company and the way to implement them, and executed the strategies in a steady and effective way. Through cultural co-creation, we developed the mission, vision and values of Universal Medical, and continued to practice them in daily operation. The common goal and perseverance pooled our strength into a strong force.

The year of 2020 witnessed our efforts to lay solid foundations and forge capabilities. Facing external uncertainties, we have always maintained strategic perseverance and adhered to the original aspiration of serving the people's better life. With the aim of enhancing values, we continued to consolidate the foundation of financial services, and steadily explored the industry market. We made great efforts to cultivate our disciplinary capabilities, service capabilities and operational capabilities of the hospital group, strengthen digitization, and promote the upgrading of information technology. Meanwhile, we actively extended the health industry chain, and promoted digital upgrades and iterations so that a shared and win-win health industry ecosystem is gradually taking shape.

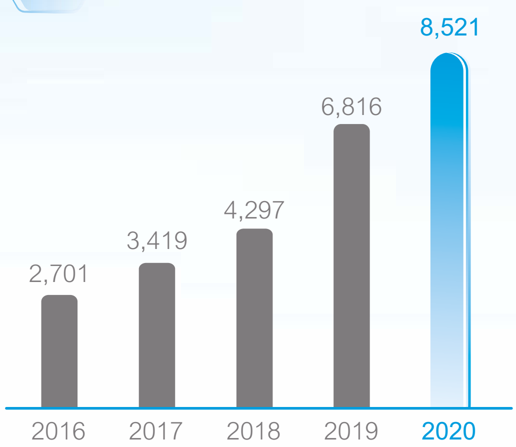
Ups and downs have made us more determined and there is still a long way to go. As the "14th Five-Year Plan" just gets started, there are challenges and more opportunities ahead. With the continuous advancement of the "Healthy China" strategy, the healthcare industry has ushered in a new period of strategic opportunities. Universal Medical will continue to follow the national strategy, apply new vision of development and integrate into the new development pattern. Actions will be taken to improve the level of financial services, build a better hospital management group, and push ahead with the health industry layout. We will focus on value enhancement and enable the Group to achieve quality development.

I would like to express sincere gratitude to shareholders, customers and partners for their consistent support and trust in Universal Medical, and thank all employees for their dedication. We hope to work with colleagues in the industry so as to let more simple wishes about life and health be respected and satisfied. Staying true to the original aspiration, we persist in protecting life and health with quality medical care to make a difference in China's healthcare field!

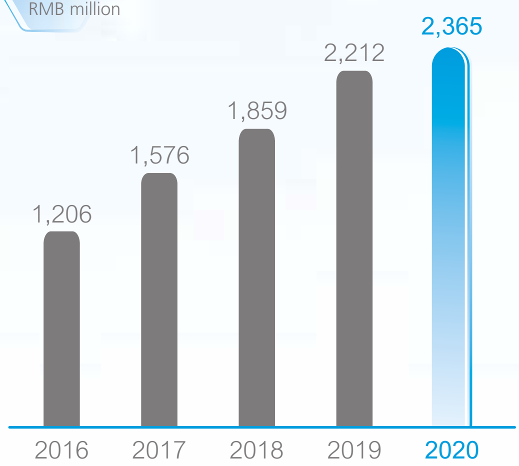
Peng Jiahong
Vice-Chairwoman of the Board,
Executive Director and Chief Executive Officer
Genertec Universal Medical Group Company Limited

PERFORMANCE OVERVIEW

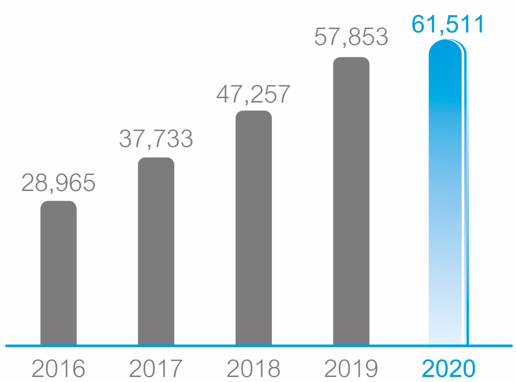
INCOME
RMB million



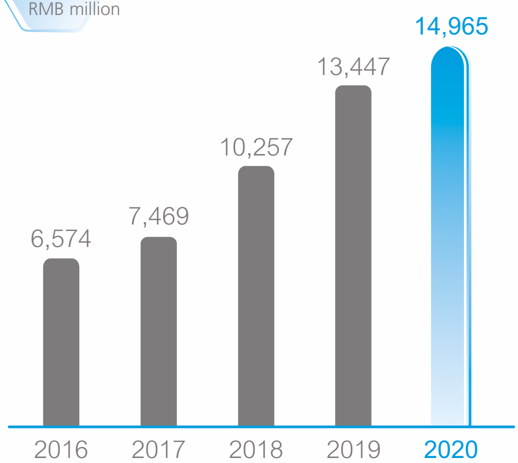
PROFIT BEFORE TAX
RMB million



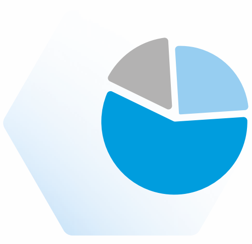
TOTAL ASSETS
RMB million



TOTAL EQUITY
RMB million



AS AT 31 DECEMBER 2020 PERCENTAGE OF HEALTHCARE INTEREST-EARNING ASSETS

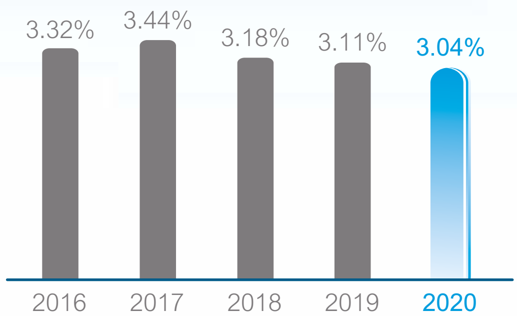


53.0%

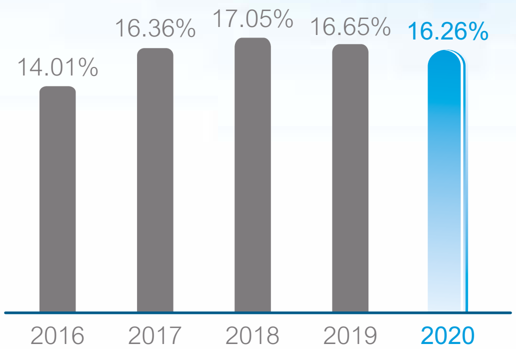
AS AT 31 DECEMBER 2020 NET ASSETS PER SHARE

6.28 RMB

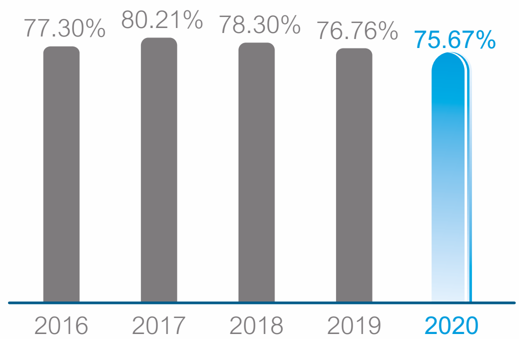
RETURN ON TOTAL ASSETS



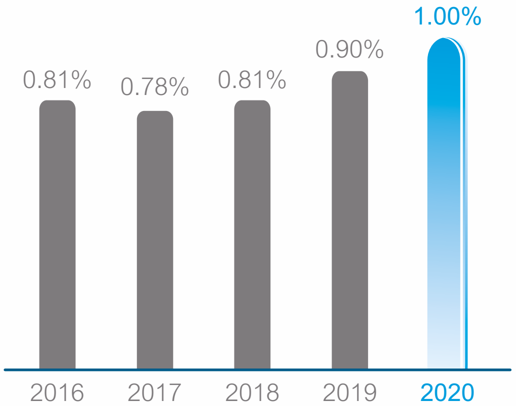
RETURN ON EQUITY



DEBT RATIO



NPA RATIO



EPS (BASIC AND DILUTED)

0.96 RMB

NET INTEREST SPREAD

3.54 %

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating Results					
Income	**8,521,238**	6,815,587	4,296,866	3,418,829	2,700,916
Finance and advisory business income*1	**4,899,669**	4,768,645	4,165,136	3,341,103	2,698,986
Hospital group business income*1	**3,623,001**	2,046,942	131,730	77,468	–
Cost of sales	**(4,967,263)**	(3,636,505)	(1,705,442)	(1,244,640)	(965,970)
Cost of finance and advisory business*2	**(1,840,231)**	(1,926,405)	(1,591,850)	(1,173,189)	(965,970)
Cost of hospital group business	**(3,243,661)**	(1,757,074)	(113,592)	(71,451)	–
Profit before tax	**2,365,014**	2,211,859	1,859,039	1,576,461	1,205,945
Profit for the year	**1,813,910**	1,634,392	1,350,664	1,148,679	872,310
Profit for the year attributable to owners of the parent	**1,647,537**	1,488,736	1,352,173	1,148,658	872,310
Basic and diluted earnings per share (RMB)	**0.96**	0.87	0.79	0.67	0.51
Profitability Indicators					
Return on total assets(1)	**3.04%**	3.11%	3.18%	3.44%	3.32%
Return on equity(2)	**16.26%**	16.65%	17.05%	16.36%	14.01%
Net interest margin(3)	**4.09%**	3.74%	4.10%	4.41%	4.36%
Net interest spread(4)	**3.54%**	3.24%	3.23%	3.51%	3.31%

*1 After taxes and surcharges

*2 Before inter-segment offset

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

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

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

(4) Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities. Average balance of interest-earning assets is calculated based on the average balance of net interest-earning assets 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.

	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000	31 December 2016 RMB'000
Assets and Liabilities					
Total assets	**61,511,013**	57,852,542	47,256,927	37,732,513	28,964,583
Net interest-earning assets	**54,650,222**	49,785,639	44,270,664	35,021,292	27,160,141
Total liabilities	**46,545,678**	44,405,334	37,000,119	30,263,687	22,390,192
Interest-bearing bank and other borrowings	**39,981,341**	38,002,843	32,981,989	26,882,695	19,485,459
Total equity	**14,965,335**	13,447,208	10,256,808	7,468,826	6,574,391
Equity attributable to owners of the parent	**10,770,514**	9,489,304	8,395,611	7,468,601	6,574,391
Net assets per share (RMB)	**6.28**	5.53	4.89	4.35	3.83
Financial Indicators					
Debt ratio[1]	**75.67%**	76.76%	78.30%	80.21%	77.30%
Gearing ratio[2]	**2.67**	2.83	3.22	3.60	2.96
Current ratio[3]	**0.94**	1.10	1.06	0.98	1.25
Asset Quality					
Non-performing assets ratio[4]	**1.00%**	0.90%	0.81%	0.78%	0.81%
Provision coverage ratio[5]	**205.52%**	198.46%	190.24%	189.92%	183.85%
Write-off of non-performing assets ratio[6]	**9.34%**	0.00%	0.00%	0.00%	0.00%
Ratio of overdue interest-earning assets (over 30 days)[7]	**0.94%**	0.84%	0.62%	0.44%	0.51%

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

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

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

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

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

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

(7) Ratio of overdue interest-earning assets (over 30 days) is calculated based on net interest-earning assets which are more than 30 days overdue divided by net interest-earning assets.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

In the past year, facing grave internal and external environments, the Group fulfilled its responsibilities as an enterprise directly under the central government. While leading our medical institutions in various regions to actively and effectively devote to epidemic prevention and control, we continued to firmly promote our development in the medical and healthcare sector. To build a healthcare conglomerate, we have clarified the business development strategy of building a shared and win-win healthcare industrial ecosystem focusing on medical services and supported by financial services. We made collective efforts to actively implement our strategies and achieved growth in the annual operating results against headwinds.

In 2020, the Group recorded a revenue of RMB8,521.2 million, representing an increase of 25.0% as compared to the previous year, mainly attributed to the revenue brought by the newly consolidated medical institutions in 2020. Profit for the year amounted to RMB1,813.9 million, representing an increase of 11.0% as compared to the previous year. Profit for the year attributable to owners of the parent was RMB1,647.5 million, representing an increase of 10.7% as compared to the previous year. As of 31 December 2020, the Group's total assets amounted to RMB61,511.0 million, representing an increase of 6.3% as compared to the end of the previous year, with asset quality generally safe and controllable. The return on total assets of the Group was 3.04%, and the return on net assets attributable to ordinary shareholders was 16.26%.

1.1 Hospital group continued to expand, with increased proportion of medical revenue

Hospital group is the essential resources of building a healthcare conglomerate. In 2020, the Group continued to actively participate in the integration and takeover of medical institutions of SOEs, and build up a tightly-knit medical networks surrounding key regions and cities. As of 31 December 2020, the Group had entered into contracts in relation to takeover of 54 medical institutions (including 5 Grade III Class A hospitals and 27 Grade II hospitals) with actual capacity of over 15,000 beds in total. As of 31 December 2020, the Group had consolidated 38 medical institutions (including 3 Grade III Class A hospitals and 16 Grade II hospitals), with actual capacity of 9,699 beds in total.

The Geographical Location of Medical Institutions Consolidated into the Group as of 31 December 2020

Province	Grade III hospitals	Grade II hospitals	Others (note)	Total
Shaanxi	1	6	6	13
Shanxi	1	2	4	7
Liaoning	1	1	1	3
Anhui	–	2	4	6
Shandong	–	1	–	1
Hebei	–	3	1	4
Sichuan	–	–	1	1
Zhejiang	–	–	1	1
Hunan	–	–	1	1
Jiangsu	–	1	–	1
Total	3	16	19	38

Note: Including Grade I hospitals, community service centers and other non-rated medical institutions.

In the first half of 2020, due to factors such as epidemic control in different regions, the business of medical institutions of the Group was affected as a whole, and operation of certain departments (such as stomatology, otolaryngology and other departments in high-risk of epidemic transmission) and treatment projects (such as elective endoscopic treatment) were suspended in accordance with the requirements of epidemic control at specific times, which greatly affected the Group's revenue and profits in the first half of the year. Facing the difficulties and challenges brought by the epidemic, the medical institutions of the Group actively explored new markets for physical examinations, channelled health services down to communities and used Internet-based hospitals to effectively increase service volume and properly adjust the structure of disease type. Since May 2020, the monthly income of medical institutions of the Group has gradually returned to the level of the same period of 2019. In the second half of the year, as China entered into a period of regular epidemic control, the Group took active measures to guide member institutions to orderly open clinical departments and medical technology departments. By doing so, the Group well juggled both epidemic control and normal diagnosis and treatment activities, and the number of patients of the Group's medical institutions rebounded significantly. In the whole year, the level of decline in the service volume and income of most of the Group's hospitals was lower than the average of the hospitals located in the same provinces.

In 2020, as for the medical institutions consolidated into the Group, the number of outpatient visits and inpatient visits amounted to 3,912,630 and 213,170, representing a year-on-year decrease of approximately 7.4% and 10.3%, respectively. The hospital operation recorded a revenue of RMB3,547.9 million in total for the whole year, representing a year-on-year decrease of approximately 2.3%. The annual operation data of the consolidated medical institutions are as follows:

General Operating Data of the Consolidated Medical Institutions in 2020

		Visits in 2020			Medical business income in 2020 (RMB ten thousand)				Average index		
Category	Capacity	Outpatient	Inpatient	Visits for medical examination	Outpatient and emergency income	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed* (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	3,482	1,645,890	92,929	197,085	53,777	124,364	6,395	184,649	53.0	327	13,383
Grade II	4,647	1,717,986	101,601	446,389	47,668	81,369	9,526	138,620	29.8	277	8,009
Others (note)	1,570	548,754	18,640	111,659	18,443	8,994	1,452	31,517	20.1	336	4,825
Total	9,699	3,912,630	213,170	755,133	119,889	214,728	17,373	354,787	36.6	306	10,073

General Operating Data of the Consolidated Medical Institutions in 2019

		Visits in 2019			Medical business income in 2019 (RMB ten thousand)				Average index		
Category	Capacity	Outpatient	Inpatient	Visits for medical examination	Outpatient and emergency income	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed* (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	3,557	1,710,949	99,285	163,152	56,123	132,893	4,233	193,249	54.3	328	13,385
Grade II	4,737	1,962,106	117,587	430,076	48,860	86,490	7,658	143,380	30.3	249	7,355
Others (note)	1,570	552,443	20,837	70,521	12,441	10,293	1,590	26,434	16.8	225	4,940
Total	9,864	4,225,498	237,709	663,749	117,424	229,675	13,480	363,062	36.8	278	9,662

Note: Including Grade I hospitals, community service centers and other non-rated medical institutions.

* On an annualized basis

In 2020, the Group's income from hospital group business was RMB3,623.0 million, representing an increase of 77.0% over the previous year, mainly attributable to the revenue brought by the newly consolidated medical institutions in 2020, which accounted for more than 42% of the total revenue of the Group. In the future, with the further business expansion and the improvement of core capabilities of the hospital group, it is expected that the proportion of the income from hospital group business would continue to increase.

1.2 Discipline construction was strengthened and technical strength was enhanced

In 2020, in line with the characteristics and positioning of different disciplines, the Group adopted an overall approach of promoting core disciplines, characteristic disciplines and consumer disciplines by categories and with multiple measures. Based on this, the headquarters built professional teams in various disciplines to carry out empowerment and promotion at different levels. Each hospital gave full play to its advantages and expertise, and made important progress in various fields.

- **Core disciplines:** through evaluation of the development status and capabilities of the core disciplines, we have set our preliminary goals for core discipline development during in the "14th Five-Year Plan" period, which clarifies the priority of developing a core discipline cluster including cardiovascular, orthopedics, obstetrics & gynecology, and neurosurgery, so as to build it into a technological highland with core clinical technology and the ability to cure intractable diseases. At the same time, in order to fully motivate the core discipline centers within the Group, a complete internal training and cultivation system has been established, and the construction of core specialties achieved significant results.

- **Specialties:** the Group identified the development of four specialties, namely "digestive medicine, nephropathy, oncology, and rehabilitation medicine", and set up an organizational structure and management mechanism at the headquarters to support the comprehensive development of a characteristic specialty operating system. In this way, the Group further integrated the advantageous resources of the hospital group's specialties, and laid a solid foundation for the promotion of vertical management of the Group's specialties and increase in revenue and efficiency of the hospital group.

- **Consumer healthcare services:** the Group identified the development of consumer healthcare services of stomatology and physical examination. In the past year, pilot construction was completed in the stomatological hospital under Ansteel Group Hospital. Actions were taken to build a customer service system and a "four-handed operation" nursing system, optimize remuneration and performance regime and operating procedures, and double down on brand promotion. Thanks to such efforts, the income from stomatology business increased more than 50% as compared to that of the previous year. A management mode for specialty operation that could be replicated and promoted has been gradually established. We plan to gradually extend such mode to other hospitals of the Group. Meanwhile, a series of tasks such as the groundwork for standardization of the physical examination center were completed to further cultivate new growth points of the hospital group.

1.3 Digital construction was enhanced to promote informatization upgrade

Digital construction is a vital instrument for improving our service and organizational capabilities, as well as operational management efficiency of the hospital group. On this basis, we will continue to leverage Internet and big data to further empower the medical group. Last year, we fully implemented digital strategies according to the overall layout of the Group. On the one hand, we reinforced the foundation for the information construction of the Group and hospitals, and fully launched a data middle platform. On the other hand, we further enriched the quality of the Internet-based health platform to fully support the digitalization of the industry sector:

- **Standardization of hospitals' core system progressed in an orderly manner:** the upgrading and transformation of hospitals' core system have been fully launched. At present, the integrated information system of Pangang General Hospital (攀鋼總醫院), Xianyang Caihong Hospital (咸陽彩虹醫院), and Xihang Hospital (西航醫院) went online smoothly. Other hospitals have also started this work, and are striving to complete all standardization and transformation work within three years.

- **Strategy of data middle platform crystalized:** we built a data middle platform with independent intellectual property rights and advanced structure, which connects the clinical and operational data of some hospitals. This has laid a foundation to fully support operational decision-making and big data service capabilities of the Group and hospitals.

- **Breakthroughs were made in Internet-based health platform:** our self-developed Internet-based health platform has undergone continuous iterations of multiple versions, with its core functions being continuously improved. At present, five hospitals of the Company were officially approved to carry out Internet-based hospital business. This platform has covered 17 internal hospitals and one external hospital, and played an important role in fighting against the pandemic. Among them, Hainan Genertec Universal Internet Hospital (海南通用環球互聯網醫院) has become the portal of the Group's unified Internet-based healthcare and our core carrier of medical industry resource integration.

1.4 Advantages of group management were leveraged to improve hospital operation efficiency

Last year, leveraging the scale of the existing hospital group, we made efforts to improve the overall efficiency of the hospital group through standardized and efficient group management in various aspects such as operation and management, and centralized procurement and supply. For example, in medical quality management, we completed the establishment of a standardized quality management system and the revision of the medical core system to keep in line with quality management systems of advanced hospitals at home and abroad, improved the medical quality monitoring system and early warning mechanism to advance the medical quality management, established an unannounced inspection system and strengthened post-event supervision. Such efforts provided a practical way and approach to manage the hospital group's quality in a standardized way. In medical insurance management, based on the medical insurance levels, we developed a professional technical model for DRG/DIP management and achieved the goal of making profit from medical insurance settlement or pre-settlement in the regions adopting DRG/DIP payment reform. In supply chain management, we further integrated the drug and consumables supply chain business of medical institutions in an orderly way, gave full play to the advantages of centralized procurement to benefit from supply chain management. In equipment procurement and hospital construction, through centralized procurement and other methods, procurement costs were significantly below the market level.

In the future, as various aspects of group operations further progress and measures continue to be implemented to enhance quality and efficiency, the overall effectiveness of the hospital group would be further improved.

1.5 The expansion of layout in industrial chain was launched in an orderly manner, and the business development produced initial results

Last year, focusing on the hospital group, the Group continued to promote model exploration, project piloting and layout in the health industry chain:

- **Internet-based healthcare:** relying on bricks-and-mortar hospitals, the Group's Internet-based healthcare platform gave full play to the Group's industrial resources and industry integration capabilities to become a unified Internet portal for the healthcare group and the core carrier of the healthcare industry chain business. The platform will be deeply integrated into the hospital information system. With support of the data middle platform of Universal Medical, which has independent intellectual property rights, the Internet-based healthcare platform will realize the integration and analysis of users' health data throughout their life cycle, and provide comprehensive data support for doctors' online diagnosis and treatment. It will also realize personalized health services and in-depth data application to help commercialize the platform.

- **Equipment maintenance:** the Group has established a highly skilled and efficient team for medical equipment maintenance business, and actively promoted an advanced business model of "managing medical equipment for a full life cycle" to provide hospitals with standardized maintenance service and comprehensive equipment operation and management service. The team made full use of the Group's rich industrial resources, leveraging large-scale equipment management experience, to build a professional information management system and make continued optimization. This system enables visual management of the operation and maintenance of the equipment to help the hospitals gradually carry out refined operation of the equipment. Such efforts have fully improved the operating efficiency of the hospital equipment, and have provided an effective data reference for the development plan of hospitals.

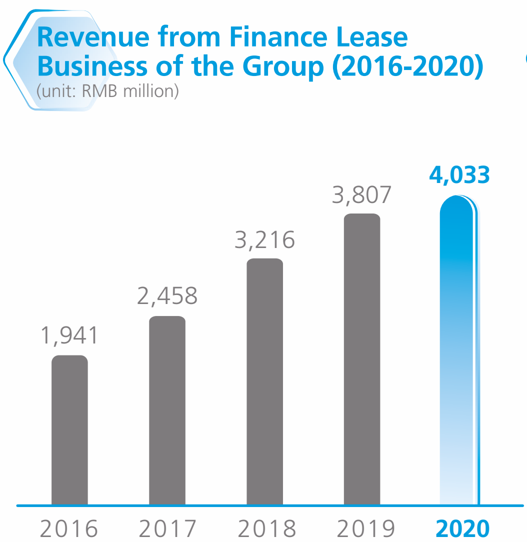
- **Medical testing:** relying on clinicians and medical teams from its hospitals, the Group has carried out medical testing business to provide more accurate and professional testing services to local medical institutions nearby. The Group tailored the development plan of the testing center for partner hospitals and built a specialized disease testing platform based on the characteristics of different regions and hospitals. By increasing high-end testing items and upgrading technologies, the Group helps the testing disciplines of partner hospitals gradually reach the first-class level in the region, and fully undertakes the testing business of local hospitals to promote the joint improvement of the testing capabilities of medical institutions in the region. In the end, the testing center will build a medical testing partnership or alliance within the region leveraging its academic influence, and achieve mutual recognition of testing results from local medical institutions.

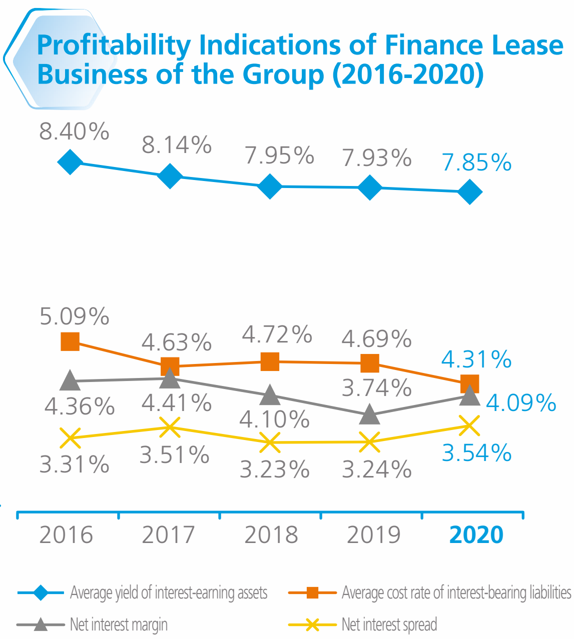
In addition, fully assessing the existing basic advantages and through introduction of professional team, the Group conducted pilot exploration and model evaluation in areas such as health and wellness business and insurance business, so as to lay a good foundation for future business incubation.

1.6 Financial business has achieved stable development and provided strong support to the Group

The Group's financial business mainly focuses on financial leasing business, the income from which is a stable source of profits for the Company. In the first half of 2020, the development of the Group's financial business and the progress of hospital customers' payment collection were both delayed due to epidemic control policies in various regions. Since the third quarter of 2020, the business fully recovered and the business departments stepped up their business development efforts and reinforced their intensive and meticulous implementation in the region, and as a result, the Group further enhanced its overall organization and management efficiency of financial segment.

In 2020, the Group's finance and advisory business recorded a revenue of RMB4,899.7 million, representing a year-on-year increase of 2.7%; and gross profit of RMB3,059.4 million, representing a year-on-year increase of 7.6%. Among them, interest income from the financial leasing business amounted to RMB4,033.1 million, representing a year-on-year increase of 5.9%; the gross profit of interest margin was RMB2,192.9 million, representing a year-on-year increase of 16.0%; the net interest spread was 3.54%, and the net interest margin was 4.09%, still an outstanding result among its domestic competitors. As of 31 December 2020, the net value of interest-earning assets of the Group reached RMB53,524.2 million, representing an increase of 9.5% from the beginning of the year; the non-performing asset ratio was 1.00%, and the overdue ratio (30 days) was 0.94%. The Group strictly controlled operating risks, and continuously enhanced internal control. Despite the poor operating conditions of a few customers due to the impact of the epidemic, which made the non-performing asset ratio and the overdue ratio (30 days) to slightly increase, the overall asset quality of the Group was safe and controllable and continued to maintain its leading position in the industry.





2. OUTLOOK FOR 2021

2021 will be a crucial year for the Group to carry out its strategies and enhance its core capabilities. We will calmly cope with various risks and challenges, strictly control risks in the financial business, and develop steadily. We will make the medical business better and stronger and give full play to its characteristics. The layout of our health business will be improved to lay a solid foundation for future development. Committed to the mission of protecting life and health with quality medical care, we will strive for breakthroughs in the quality development of the Group as a whole, and make relentless efforts to build a trustworthy healthcare conglomerate, and create greater value and return for all shareholders.

3. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

3.1 Overview

In 2020, the Group recorded revenue of RMB8,521.2 million, representing an increase of 25.0% as compared to the previous year. Profit before tax was recorded RMB2,365.0 million, representing an increase of 6.9% as compared to the previous year. Profit for the year attributable to owners of the parent was RMB1,647.5 million, representing an increase of 10.7% as compared to the previous year. In 2020, under the impact of the COVID-19 epidemic, the Group focused on operation without compromising epidemic prevention and control, steadily developed financial services, continued promoting the deployment of hospital group business, proactively built the core capacity of hospital group, while simultaneously carried forward the health industry chain business, thus achieved a growth in operating results bucking the trend.

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

	For the year ended 31 December		
	2020	2019	
	RMB'000	RMB'000	Change %
Revenue	**8,521,238**	6,815,587	25.0%
Cost of sales	**(4,967,263)**	(3,636,505)	36.6%
Gross profit	**3,553,975**	3,179,082	11.8%
Other income and gains	**185,467**	218,645	-15.2%
Selling and distribution costs	**(380,390)**	(404,589)	-6.0%
Administrative expenses	**(613,868)**	(441,408)	39.1%
Impairment of financial assets	**(247,446)**	(235,213)	5.2%
Financial costs	**(30,558)**	(11,982)	155.0%
Other expenses	**(113,513)**	(96,116)	18.1%
Share of profit/(loss) of an associate	**262**	619	-57.7%
Share of profit/(loss) of a joint venture	**11,085**	2,821	292.9%
Profit before tax	**2,365,014**	2,211,859	6.9%
Income tax expense	**(551,104)**	(577,467)	-4.6%
Profit for the year	**1,813,910**	1,634,392	11.0%
Profit for the year attributable to owners of the parent	**1,647,537**	1,488,736	10.7%
Basic and diluted earnings per share (RMB)	**0.96**	0.87	10.7%

3.2 Analysis of Business Revenue

In 2020, the Group recorded revenue of RMB8,521.2 million, of which finance and advisory business recorded revenue of RMB4,899.7 million, accounting for 57.5%; hospital group business recorded revenue of RMB3,623.0 million, accounting for 42.5%. The Group recorded gross profit from operations of RMB3,554.0 million, of which finance and advisory business recorded gross profit from operations of RMB3,059.4 million, accounting for 86.1%, while hospital group business segment recorded gross profit from operations of RMB379.3 million, accounting for 10.7%.

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

	For the year ended 31 December				
	2020		2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Finance and advisory business	4,899,669	57.5%	4,768,645	70.0%	2.7%
Hospital group business	3,623,001	42.5%	2,046,942	30.0%	77.0%
Offset	(1,432)	-0.0%	–	–	–
Total	8,521,238	100.0%	6,815,587	100.0%	25.0%

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

	For the year ended 31 December				
	2020		2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Finance and advisory business	3,059,438	86.1%	2,842,240	89.4%	7.6%
Hospital group business	379,340	10.7%	289,868	9.1%	30.9%
Offset	115,197	3.2%	46,974	1.5%	145.2%
Total	3,553,975	100.0%	3,179,082	100.0%	11.8%

3.2.1 Finance and advisory business

In 2020, the Group endeavored to fight against the COVID-19 epidemic, strongly propelled the market development, accurately responded to customers' demands, continuously improved the establishment of internal management capacity and recorded revenue of RMB4,899.7 million, representing an increase of RMB131.0 million or 2.7% as compared to the previous year; recorded gross profit of RMB3,059.4 million, representing an increase of RMB217.2 million or 7.6% as compared to the previous year.

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

	For the year ended 31 December				
	2020		2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Finance and advisory business income	**4,899,669**		4,768,645		2.7%
Including:					
Finance lease	**4,033,077**	**82.3%**	3,807,177	79.8%	5.9%
Advisory service	**865,907**	**17.7%**	953,284	20.0%	-9.2%

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

	For the year ended 31 December				
	2020		2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Gross profit from finance and advisory business	**3,059,438**		2,842,240		7.6%
Including:					
Finance lease	**2,192,857**	**71.7%**	1,890,010	66.5%	16.0%
Advisory service	**865,907**	**28.3%**	953,284	33.5%	-9.2%

3.2.1.1 Finance lease business

The Group's revenue from finance lease business is interest income. In 2020, the Group recorded interest income of RMB4,033.1 million, representing an increase of RMB225.9 million or 5.9% as compared to the previous year. In 2020, the Group paid close attention to the development of the COVID-19 epidemic, continued to work meticulously in key niche market, accurately responded to customer's demands, and improved business development efficiency. At the same time, the Group explored leasing business in new sectors as a way to fully make up for the impact of the epidemic on business development.

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

	For the year ended 31 December				
	2020		2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	**2,603,330**	**64.5%**	2,804,343	73.7%	-7.2%
Public utilities	**1,181,586**	**29.3%**	585,888	15.4%	101.7%
Other	**248,161**	**6.2%**	416,946	10.9%	-40.5%
Total	**4,033,077**	**100.0%**	3,807,177	100.0%	5.9%

In 2020, the gross profit of interest margin was RMB2,192.9 million, representing an increase of RMB302.8 million or 16.0% as compared to the previous year. The increase of the gross profit of interest margin was mainly due to the increase in the size of interest-earning assets and the rise of net interest spread of finance lease business.

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

	31 December 2020			31 December 2019		
	Average balance RMB'000	Interest income(1)/ expense(2) RMB'000	Average yield(3)/ cost rate(4)	Average balance RMB'000	Interest income(1)/ expense(2) RMB'000	Average yield(3)/ cost rate(4)
Interest-earning assets	**51,571,650**	**4,047,510**	**7.85%**	48,216,413	3,821,659	7.93%
Interest-bearing liabilities	**45,016,835**	**1,939,803**	**4.31%**	42,987,091	2,016,751	4.69%
Net interest margin(5)	**–**	**–**	**4.09%**	–	–	3.74%
Net interest spread(6)	**–**	**–**	**3.54%**	–	–	3.24%

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

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

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

(4) Average cost rate = interest expense/average balance of interest-bearing liabilities, taking into account the effect of perpetual bond;

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

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

In 2020, the Group's net interest spread of finance lease business was 3.54%, representing an increase of 0.30 percentage point from 3.24% in the previous year, remaining at a good level in the industry.

Average yield of interest-earning assets: in 2020, the Group's average yield of interest-earning assets was 7.85%, representing a decrease of 0.08 percentage point from 7.93% in the previous year. In 2020, affected by the COVID-19 epidemic, China implemented a relatively easy monetary policy, and the Group timely adjusted its market strategy in accordance with changes in the market. The yield of new interest-earning assets decreased as compared to the previous year, making the average yield of interest-earning assets in 2020 slightly lower than that of the previous year, but generally remained stable.

Average cost rate of interest-bearing liabilities: in 2020, the average cost rate of interest-bearing liabilities of the Group was 4.31%, representing a decrease of 0.38 percentage point from 4.69% in the previous year. In 2020, affected by the external environment, the newly added financing costs of the Group dropped significantly, which drove the Group's average cost rate of interest-bearing liabilities in 2020 to decrease as compared to that of the previous year.

3.2.1.2 *Advisory services business*

The Group's advisory services business includes industry, equipment and financing advisory services as well as clinical department upgrade advisory services. Leveraging on our expanding healthcare resources platform, and in accordance with the characteristics of hospital operation at all stages, we provided customers with valuable, flexible and diversified comprehensive services comprising financial services, equipment replacement, technology and management advice, clinical department upgrade advisory so as to improve the technical service capabilities and management efficiency of partner hospitals. In 2020, as affected by the external environment, the gross profit from advisory services was RMB865.9 million, representing a decrease of RMB87.4 million or 9.2% as compared to the previous year.

3.2.2 Hospital group business

The Group's hospital group business includes integrated healthcare services and supply chain business, etc. In 2020, the hospital group business recorded income of RMB3,623.0 million, representing an increase of RMB1,576.1 million or 77.0% as compared to the previous year, and recorded gross profit of RMB379.3 million, representing an increase of RMB89.5 million or 30.9% as compared to the previous year.

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

	For the year ended 31 December				
	2020		2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Hospital group business					
Income from integrated healthcare services	**3,383,263**	**93.4%**	1,860,472	90.9%	81.8%
Income from supply chain business, etc.	**619,128**	**17.1%**	354,018	17.3%	74.9%
Offset	**(379,390)**	**-10.5%**	(167,548)	-8.2%	126.4%
Total	**3,623,001**	**100.0%**	2,046,942	100.0%	77.0%

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

	For the year ended 31 December				
	2020		2019		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Hospital group business					
Gross profit from integrated healthcare services	**301,009**	**79.4%**	244,791	84.4%	23.0%
Gross profit from supply chain business, etc.	**82,646**	**21.8%**	52,603	18.1%	57.1%
Offset	**(4,315)**	**-1.2%**	(7,526)	-2.5%	-42.7%
Total	**379,340**	**100.0%**	289,868	100.0%	30.9%

In 2020, the Group continued the work on integration and takeover of medical institutions of SOEs. As of 31 December 2020, the Group had consolidated 38 medical institutions, representing an increase of 10 medical institutions as compared to the previous year. The increase in the number of consolidated medical institutions was the main reason for the increase in income and gross profit of the hospital group business segment.

3.2.2.1 *Integrated healthcare services*

The Group's integrated healthcare services come from the integrated healthcare services provided by consolidated medical institutions. 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. In 2020, the Group achieved comprehensive medical service income of RMB3,383.3 million, representing an increase of RMB1,522.8 million or 81.8% as compared to the previous year; recorded gross profit of RMB301.0 million, representing an increase of RMB56.2 million or 23.0% as compared to the previous year.

3.2.2.2 *Supply chain business, etc.*

The hospital supply chain business mainly provides supply chain distribution services for hospitals inside and outside the Group, as well as a small amount of medical device sales and other businesses. In 2020, the Group achieved income from supply chain business of RMB619.1 million, representing an increase of RMB265.1 million or 74.9% as compared to the previous year; recorded gross profit of RMB82.6 million, representing an increase of RMB30.0 million or 57.1% as compared to the previous year.

3.2.3 Operating cost

In 2020, the Group's sales and distribution costs amounted to RMB380.4 million, representing a decrease of RMB24.2 million, or 6.0%, as compared to the previous year.

Administrative expenses amounted to RMB613.9 million, representing an increase of RMB172.5 million, or 39.1%, as compared to the previous year, which was mainly due to the increase of administrative expenses incurred by the acquired hospitals. Administrative expenses from finance and advisory business amounted to RMB320.8 million, accounting for 52.3% of the total administrative expenses, representing an increase of RMB43.4 million, or 15.6%, as compared to the previous year. The increase was mainly due to the upgrading of information technologies and office environment, as well as the expenses incurred for epidemic prevention and control. Administrative expenses from hospital group business amounted to RMB293.1 million, accounting for 47.7% of the total administrative expenses, representing an increase of RMB129.1 million, or 78.7%, as compared to the previous year, mainly due to the increase in the consolidated medical institutions.

3.2.4 Profit before tax

In 2020, the Group recorded profit before tax of RMB2,365.0 million, representing an increase of RMB153.2 million or 6.9%, as compared to the previous year.

3.2.5 Profit for the year attributable to owners of the parent

In 2020, the Group recorded profit for the year attributable to owners of the parent of RMB1,647.5 million, representing an increase of RMB158.8 million or 10.7%, as compared to the previous year.

3.2.6 Revenue from medical institutions operation

As of 31 December 2020, the Group had consolidated 38 medical institutions. The following sets forth the operation of the medical institutions during the consolidation period (excluding that of the hospital investment platform).

In 2020, the medical institutions of the Group recorded revenue of RMB3,623.8 million during the consolidation period, representing an increase of RMB1,576.3 million, or 77.0%, as compared to the previous year; recorded profit for the period of RMB153.6 million, representing an increase of RMB52.2 million, or 51.5%, as compared to the previous year. Affected by the COVID-19 epidemic in the first half year of 2020, the gross profit margin from operations was 10.5%, representing a decrease of 3.7 percentage points from 14.2% in the previous year; the net profit margin was 4.2%, representing a decrease of 0.8 percentage point from 5.0% in the previous year.

The following table sets forth the profit or loss of the medical institutions during the consolidation period (excluding that of the hospital investment platform):

	For the year ended 31 December		
	2020 RMB'000	2019 RMB'000	Change %
Revenue	**3,623,790**	2,047,466	77.0%
Costs	**(3,243,661)**	(1,757,074)	84.6%
Gross profit	**380,129**	290,392	30.9%
Other income and gains	**92,969**	46,836	98.5%
Selling and distribution costs	**(24,344)**	(22,464)	8.4%
Administrative expenses	**(291,852)**	(162,177)	80.0%
Impairment on financial assets	**34,643**	(35,133)	-198.6%
Other expenses	**(9,896)**	(1,332)	642.9%
Share of profit/(loss) of an associate	**262**	619	-57.7%
Financial costs	**(8,480)**	(5,226)	62.3%
Profit before tax	**173,431**	111,515	55.5%
Income tax expense	**(19,791)**	(10,102)	95.9%
Profit for the year	**153,640**	101,413	51.5%

4. FINANCIAL POSITION ANALYSIS

4.1 Overview of Assets

As at 31 December 2020, the Group's total assets was RMB61,511.0 million, representing an increase of RMB3,658.5 million or 6.3% as compared to the end of the previous year. In particular, our restricted deposits was RMB667.7 million, representing an increase of RMB126.7 million or 23.4% as compared to the end of the previous year, accounting for 1.1% of the total assets; our cash and cash equivalents was RMB2,036.5 million, representing a decrease of RMB1,349.3 million or 39.9% as compared to the end of the previous year, accounting for 3.3% of the total assets; our loans and accounts receivable was RMB54,195.4 million, representing an increase of RMB4,663.7 million or 9.4% as compared to the end of the previous year, accounting for 88.1% of the total assets.

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

	31 December 2020		31 December 2019		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Restricted deposits	**667,701**	**1.1%**	541,009	0.9%	23.4%
Cash and cash equivalents	**2,036,535**	**3.3%**	3,385,867	5.8%	-39.9%
Inventories	**198,034**	**0.3%**	156,726	0.3%	26.4%
Loans and accounts receivable	**54,195,411**	**88.1%**	49,531,738	85.6%	9.4%
Prepayments, deposits and other receivables	**307,112**	**0.5%**	332,383	0.6%	-7.6%
Property, plant and equipment	**2,346,601**	**3.8%**	2,122,560	3.7%	10.6%
Investment in a joint venture	**455,892**	**0.8%**	444,807	0.8%	2.5%
Investment in an associate	**4,215**	**0.0%**	4,198	0.0%	0.4%
Deferred tax assets	**398,739**	**0.7%**	308,585	0.5%	29.2%
Derivative financial assets	**9,173**	**0.0%**	220,265	0.4%	-95.8%
Right-of-use asset	**763,089**	**1.2%**	689,937	1.2%	10.6%
Goodwill	**69,908**	**0.1%**	69,908	0.1%	0.0%
Other assets	**58,603**	**0.1%**	44,559	0.1%	31.5%
Total	**61,511,013**	**100.0%**	57,852,542	100.0%	6.3%

The following table sets forth the assets of the Group by business segment for the dates indicated:

	31 December 2020		31 December 2019		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Finance and advisory business	**55,922,417**	**90.9%**	52,014,941	89.9%	7.5%
Hospital group business	**8,100,062**	**13.2%**	6,957,350	12.0%	16.4%
Inter-segment offset	**(2,511,466)**	**-4.1%**	(1,119,749)	-1.9%	124.3%
Total	**61,511,013**	**100.0%**	57,852,542	100.0%	6.3%

4.1.1 Restricted deposits

As at 31 December 2020, the Group had restricted deposits of RMB667.7 million, representing an increase of RMB126.7 million or 23.4% as compared to the end of the previous year, and accounting for 1.1% of total assets. Restricted deposits mainly comprised pledged project refunds from factoring business, time deposits and financing deposits. The increase in this year was mainly due to the increase in project refunds from factoring business.

4.1.2 Cash and cash equivalents

As at 31 December 2020, the Group had cash and cash equivalents of RMB2,036.5 million, representing a decrease of RMB1,349.3 million or 39.9% as compared to the end of the previous year, accounting for 3.3% of the total assets. The balance of cash and cash equivalents will be gradually applied in accordance with the Group's business plan.

4.1.3 Loans and accounts receivables

As at 31 December 2020, the balance of the Group's loans and accounts receivables was RMB54,195.4 million, representing an increase of RMB4,663.7 million or 9.4% as compared to the end of the previous year. The net interest-earning assets was RMB53,524.2 million, accounting for 98.8% of the loans and accounts receivables; and net accounts receivables was RMB670.8 million, accounting for 1.2% of the loans and accounts receivables.

4.1.3.1 *Interest-earning assets*

In 2020, given the continuing downward trend in China's macro-economic environment as affected by the COVID-19 epidemic, the Group strengthened its risk management and control in a prudent manner, and expanded the lease business with cautious while ensuring asset security. As at 31 December 2020, the Group's net interest-earning assets was RMB53,524.2 million, representing an increase of RMB4,623.9 million or 9.5% as compared to the end of the previous year.

Net interest-earning assets by industry

In 2020, the Group made reasonable adjustment to interest-earning assets structure on the basis of effective prevention and control of risks, orderly promoted the development of finance lease in public utilities and other relevant industries.

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

	31 December 2020		31 December 2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	**28,971,620**	**53.0%**	34,629,870	69.6%	-16.3%
Public utilities	**22,233,552**	**40.7%**	10,946,532	22.0%	103.1%
Others	**3,445,050**	**6.3%**	4,209,237	8.4%	-18.2%
Net interest-earning assets	**54,650,222**	**100.0%**	49,785,639	100.0%	9.8%
Less: Provision for asset impairment	**(1,126,057)**		(885,375)		27.2%
Net value of interest-earning assets	**53,524,165**		48,900,264		9.5%

The maturity profile of the net interest-earning assets

The Group formulated reasonable business investment strategies according to the strategic plan so as to ensure the sustained and steady cash inflow. As at 31 December 2020, the maturity of the Group's net interest-earning assets was relatively balanced.

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

	31 December 2020		31 December 2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Within 1 year	**18,529,766**	**33.9%**	15,878,623	31.9%	16.7%
1-2 years	**15,347,527**	**28.1%**	13,096,220	26.3%	17.2%
2-3 years	**11,025,603**	**20.2%**	10,364,095	20.8%	6.4%
Over 3 years	**9,747,326**	**17.8%**	10,446,701	21.0%	-6.7%
Net interest-earning assets	**54,650,222**	**100.0%**	49,785,639	100.0%	9.8%

Quality of interest-earning assets

The Group has been implementing robust asset management policies and continuously adopting stringent and prudent asset classification policies. As at 31 December 2020, the Group had non-performing assets of RMB547.9 million, representing an increase of RMB101.8 million as compared to 31 December 2019. The Group continuously improved its risk management system, adopted effective risk prevention measures and increased the effort in the collection of non-performing assets. As at 31 December 2020, the Group's non-performing assets ratio was 1.00%.

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

	31 December 2020		31 December 2019		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Pass	**45,008,862**	**82.36%**	40,200,852	80.75%	12.0%
Special attention	**9,093,464**	**16.64%**	9,138,659	18.35%	-0.5%
Substandard	**485,990**	**0.89%**	404,442	0.82%	20.2%
Doubtful	**61,906**	**0.11%**	–	0.00%	0.0%
Loss	**–**	**0.00%**	41,686	0.08%	-100.0%
Net interest-earning assets	**54,650,222**	**100%**	49,785,639	100.00%	9.8%
Non-performing assets[1]	**547,896**		446,128		22.8%
Non-performing assets ratio[2]	**1.00%**		0.90%		

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

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

Note: Please refer to "Management Discussion and Analysis – 8. Risk Management" in this report for more details of five-category classification.

Ratio of overdue interest-earning assets

In 2020, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. However, certain clients were affected by the epidemic, resulting in unsatisfied operation performance and temporarily tightened cashflow. As at 31 December 2020, the overdue ratio (over 30 days) was 0.94%, increased by 0.1 percentage point as compared to 0.84% at the end of the previous year.

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

	31 December 2020	31 December 2019
Overdue ratio (over 30 days) [1]	**0.94%**	0.84%

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

Provision for impairment of interest-earning assets

As at 31 December 2020, the Group's provision coverage ratio was 205.52%, representing an increase of 7.06 percentage points as compared to the end of the previous year. With the expansion of its business, our 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.

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

	As at 31 December 2020			
	Stage 1 (12-month expected credit loss) RMB'000	Stage 2 (Lifetime expected credit loss) RMB'000	Stage 3 (Lifetime expected credit loss-impaired) RMB'000	Total RMB'000
Net interest-earning assets	**45,008,862**	**9,093,464**	**547,896**	**54,650,222**
Provision for impairment of interest-earning assets	**(498,020)**	**(393,522)**	**(234,515)**	**(1,126,057)**
Net value of interest-earning assets	**44,510,842**	**8,699,942**	**313,381**	**53,524,165**

	As at 31 December 2019			
	Stage 1 (12-month expected credit loss) RMB'000	Stage 2 (Lifetime expected credit loss) RMB'000	Stage 3 (Lifetime expected credit loss-impaired) RMB'000	Total RMB'000
Net interest-earning assets	40,200,852	9,138,659	446,128	49,785,639
Provision for impairment of interest-earning assets	(403,611)	(303,539)	(178,225)	(885,375)
Net value of interest-earning assets	39,797,241	8,835,120	267,903	48,900,264

Write-off of Interest-earning assets

The following table sets forth the write-off of interest-earning assets as of the dates indicated.

	31 December 2020 RMB'000	31 December 2019 RMB'000
Write-off	**41,686**	–
Non-performing assets as at the end of last year	**446,128**	360,223
Write-off ratio [1]	**9.34%**	0.00%

[1] The write-off ratio is calculated as the percentage of amount written-off of bad debts of interest-earning assets over the net non-performing assets as at the end of last year.

At the end of 2020, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB41.7 million. Despite the Group's effort in collection through various means, actionable assets were unable to cover risk exposure of projects. Although the Group is required to write-off the relevant non-performing assets at the moment pursuant to the requirements of the accounting standards, the Group has not terminated the disposal of assets, and will continue to recover through the various means.

4.1.3.2 *Accounts receivable*

As at 31 December 2020, the Group's net accounts receivable was RMB670.8 million, representing an increase of RMB39.3 million or 6.2% as compared to the end of the previous year. The increase of accounts receivable was mainly from receivables of newly acquired hospitals.

4.1.4 Other assets

As at 31 December 2020, the Group's balance of inventory was RMB198.0 million, representing an increase of RMB41.3 million as compared to the beginning of the year, which was mainly due to the increase of balance of inventory from hospitals newly acquired by the Group and the increase of scale of supply chain business provided to the Group's medical institutions.

As at 31 December 2020, the Group's balance of right-of-use assets was RMB763.1 million, of which, right-of-use assets recognized in office lease was RMB90.7 million and right-of-use assets recognized in land lease was RMB672.4 million, representing an increase of RMB73.2 million as compared to the beginning of the year, and such increase was mainly due to the increase of land use right from newly acquired hospitals of the Group.

As at 31 December 2020, the Group's balance of property, plant and equipment was RMB2,346.6 million, representing an increase of RMB224.0 million as compared to the beginning of the year, which was mainly due to the increase of balance of property, plant and equipment from hospitals newly acquired by the Group.

As at 31 December 2020, the Group's balance of prepayments, deposits and other receivables was RMB307.1 million, representing a decrease of RMB25.3 million as compared to the beginning of the year, which was mainly due to the decrease of other receivables of the borrowings collection from a few shareholders' related companies received by the hospitals.

As at 31 December 2020, the balance of the Group's investment in joint ventures of the Company was RMB455.9 million, which was the investment in Sichuan Huankang Hospital Management Co., Ltd (四川環康醫院管理公司); balance of investment in associates was RMB4.2 million, which was investment in an associate of Ansteel Group Hospital.

As at 31 December 2020, the Group's balance of goodwill was RMB69.9 million, maintaining at the same level as compared to the beginning of the year, which included goodwill of RMB9.2 million arising from the acquisition of Shaanxi Huahong Pharmaceutical Co., Ltd (陝西華虹醫藥有限公司) by the Group, goodwill of RMB58.9 million arising from the acquisition of Xi'an XD Group Hospital (西電集團醫院) by the Group, goodwill of RMB0.8 million arising from the acquisition of Ansteel Group Hospital and goodwill of RMB1.0 million arising from the acquisition of Xianyang Caihong Hospital (咸陽彩虹醫院).

As at 31 December 2020, the Group's balance of other assets was RMB58.6 million, representing an increase of RMB14.0 million as compared to the beginning of the year, which was mainly due to the increase of the balance of intangible assets from update and upgrade of software systems by the Group.

4.2 Overview of Liabilities

As at 31 December 2020, the Group's total liabilities amounted to RMB46,545.7 million, representing an increase of RMB2,140.3 million, or 4.8%, as compared to the end of the previous year. The balance of interest-bearing bank and other borrowings amounted to RMB39,981.3 million, representing an increase of RMB1,978.5 million, or 5.2%, as compared to the end of the previous year, accounting for 85.9% of the total liabilities; balance of other payables and accruals amounted to RMB5,209.5 million, representing an increase of RMB236.2 million, or 4.7%, as compared to the end of the previous year, accounting for 11.2% of the total liabilities.

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

	31 December 2020		31 December 2019		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Interest-bearing bank and other borrowings	**39,981,341**	**85.9%**	38,002,843	85.6%	5.2%
Trade and bills payable	**868,396**	**1.9%**	1,289,436	2.9%	-32.7%
Other payables and accruals	**5,209,549**	**11.2%**	4,973,387	11.2%	4.7%
Derivative financial instruments	**413,333**	**0.9%**	65,549	0.1%	530.6%
Taxes payable	**73,059**	**0.1%**	74,119	0.2%	-1.4%
Total	**46,545,678**	**100.0%**	44,405,334	100.0%	4.8%

4.2.1 Interest-bearing bank and other borrowings

In 2020, under the overall relatively easy monetary policies resulted from the impact of the COVID-19 epidemic, the domestic financing cost dropped obviously. The Group, based on its judgement on the market prospect, actively captured the opportunities of the favourable policies, orderly adjusted financing strategies, constantly explored financing channels, enriched financing varieties and optimized the financing structure, thus maintained competitive cost advantages of the liability end. In the direct financing market, leveraging on advantage of domestic AAA rating and the efficient bonds issuance capacity, the Group issued batches of long-term and short-term bonds at low cost on the interbank market and the Shanghai Stock Exchange alternately, and also registered different kinds of bonds including medium-term notes, non-publicly oriented debt financing instruments (PPN), super short-term financing bonds and corporate bonds, so as to reserve sufficient sources of funds. In the indirect financing market, the Group put more effort on the development of financial institutions, established strategic partnerships with several core financial institutions such as policy banks, large commercial banks, joint-stock commercial banks and foreign-invested banks and conducted extensive and in-depth cooperation in terms of financial and industrial direction. Meanwhile, the Group continued to steadily promote overseas financing and actively expanded foreign currency syndicated loans business and bilateral loans business, so as to provide strong support for the diversified and stable fund resources.

The Group's interest-bearing bank and other borrowings is mainly used to provide capital for its finance lease business. As at 31 December 2020, the balance of the Group's interest-bearing bank and other borrowings was RMB39,981.3 million, representing an increase of RMB1,978.5 million or 5.2% as compared to 31 December 2019. The borrowings of the Group are mainly at fixed interest rates or at the loan prime rate (LPR), the London Interbank Offered Rate, Hong Kong Interbank Offered Rate and other floating rates.

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

	31 December 2020		31 December 2019		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Bank loans	**20,308,798**	**50.8%**	18,079,070	47.6%	12.3%
Due to related parties	**3,942,679**	**9.9%**	1,993,891	5.2%	97.7%
Bonds	**13,555,787**	**33.9%**	14,809,640	39.0%	-8.5%
Other loans	**2,174,077**	**5.4%**	3,120,242	8.2%	-30.3%
Total	**39,981,341**	**100.0%**	38,002,843	100.0%	5.2%

As at 31 December 2020, the balance of the Group's bank loans amounted to RMB20,308.8 million, accounting for 50.8% of the total interest-bearing bank and other borrowings, representing an increase of 3.2 percentage points as compared to 47.6% as at 31 December 2019. In 2020, the Group made fully use of the favourable market opportunities, orderly adjusted financing strategies, and strengthened its cooperation with banks and other financial institutions in width and depth, with the proportion of balance of bank loans increased slightly.

Breakdown of interest-bearing and other borrowings by currency:

	31 December 2020		31 December 2019		
	RMB'000	% of total	RMB'000	% of total	Change %
RMB	28,836,246	72.1%	26,857,298	70.7%	7.4%
USD	6,890,376	17.2%	6,249,690	16.4%	10.3%
HKD	4,254,719	10.7%	4,895,855	12.9%	-13.1%
Total	39,981,341	100.0%	38,002,843	100.0%	5.2%

As at 31 December 2020, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB28,836.2 million, which accounted for 72.1% of its total interest-bearing bank and other borrowings, representing an increase of 1.4 percentage points as compared to 70.7% as at 31 December 2019. The Group followed its strategy of strongly exploring overseas financing market, actively carried out foreign currency financing business abroad, so as to facilitate diversified funding sources, and objectively manage the foreign exchange risk with foreign exchange derivatives.

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

	31 December 2020		31 December 2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Domestic	27,736,746	69.4%	25,857,299	68.0%	7.3%
Overseas	12,244,595	30.6%	12,145,544	32.0%	0.8%
Total	39,981,341	100.0%	38,002,843	100.0%	5.2%

As at 31 December 2020, the Group's domestic financing balance was RMB27,736.7 million, accounting for 69.4% of the total interest-bearing bank and other borrowings, representing an increase of 1.4 percentage points as compared to 68.0% as at 31 December 2019.

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

	31 December 2020		31 December 2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Current	19,850,230	49.6%	14,987,079	39.4%	32.4%
Non-current	20,131,111	50.4%	23,015,764	60.6%	-12.5%
Total	39,981,341	100.0%	38,002,843	100.0%	5.2%

As at 31 December 2020, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB19,850.2 million, accounting for 49.6% of its total interest-bearing bank and other borrowings, representing an increase of 10.2 percentage points as compared to 39.4% as at 31 December 2019. In 2020, on the premise that sufficient liquidity is ensured, the Group continued to optimize financing structure, therefore, the ratio of current liabilities increased slightly and the overall structure of assets and liabilities remained favourable.

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

	31 December 2020		31 December 2019		
	RMB'000	% of total	RMB'000	% of total	Change %
Secured	5,428,995	13.6%	5,492,886	14.5%	-1.2%
Unsecured	34,552,346	86.4%	32,509,957	85.5%	6.3%
Total	39,981,341	100.0%	38,002,843	100.0%	5.2%

As at 31 December 2020, the Group's total secured interest-bearing bank and other borrowings amounted to RMB5,429.0 million, accounting for 13.6% of its total interest-bearing bank and other borrowings, representing a decrease of 0.9 percentage point as compared to 14.5% as at 31 December 2019. The Group's secured assets were mainly finance lease assets. In order to expand financing channels, diversify financing resources, improve the matching of maturity structure of the assets and liabilities and constantly optimize financing conditions, we reduced the proportion of the secured interest-bearing bank and other borrowings slightly.

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

	31 December 2020		31 December 2019		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Direct financing	**13,555,787**	**33.9%**	14,809,640	39.0%	-8.5%
Indirect financing	**26,425,554**	**66.1%**	23,193,203	61.0%	13.9%
Total	**39,981,341**	**100.0%**	38,002,843	100.0%	5.2%

As at 31 December 2020, the total balance of the direct financing of the Group's interest-bearing bank and other borrowings amounted to RMB13,555.8 million, accounting for 33.9% of its total interest-bearing bank and other borrowings, representing a decrease of 5.1 percentage points as compared to 39.0% as at 31 December 2019. In 2020, the Group continued to work conscientiously in the direct financing market and indirect financing market. The stable and balanced financing structure fully secured the funds required for the Group's development.

4.2.2 Other payables and accruals

Other payables and accruals primarily comprise the lease deposits paid by customers, the accrued interests on borrowings, as well as the accrued salary and welfare payables. As at 31 December 2020, other payables and accruals amounted to RMB5,209.5 million in total, representing an increase of RMB236.2 million as compared to the end of the previous year, mainly due to increase in lease deposits of the Group and increase in receivables and payables, security deposits, and guarantee deposits resulted from the hospitals acquired by the Group.

4.3 Shareholders' Equity

As at 31 December 2020, the Group's total equity was RMB14,965.3 million, representing an increase of RMB1,518.1 million or 11.3% as compared to the end of the previous year, among which the non-controlling interests were RMB2,542.4 million, representing an increase of RMB236.9 million or 10.3% as compared to the end of the previous year, which was mainly due to the increase of non-controlling interests from the newly acquired hospitals in 2020.

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

	31 December 2020		31 December 2019		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Share capital	**4,327,842**	**28.9%**	4,327,842	32.2%	0.0%
Reserves	**6,442,672**	**43.1%**	5,161,462	38.4%	24.8%
Equity attributable to owners of the parent	**10,770,514**	**72.0%**	9,489,304	70.6%	13.5%
Equity of perpetual bonds holders	**1,652,387**	**11.0%**	1,652,387	12.3%	0.0%
Non-controlling interest	**2,542,434**	**17.0%**	2,305,517	17.1%	10.3%
Total	**14,965,335**	**100.0%**	13,447,208	100.0%	11.3%

5. CASH FLOWS ANALYSIS

In 2020, the Group's net cash outflow from operating activities amounted to RMB971.7 million, representing a decrease of outflow of RMB852.2 million as compared to that of the previous year, which was mainly due to the slowdown of the expansion of finance and advisory business and the slowdown of the scale increase in interest-earning assets as affected by the COVID-19 epidemic. Net cash outflow from investing activities amounted to RMB296.5 million, representing an increase of outflow of RMB209.1 million as compared to that of the previous year, primarily due to the construction assets of the hospitals. Net cash outflow from financing activities amounted to RMB34.6million, representing an increase of outflow of RMB3,056.5 million as compared to that of the previous year, primarily due to the decrease in additional borrowings in 2020 and the increase in outflow of restricted capital.

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

	For the year ended 31 December		
	2020 **RMB'000**	2019 RMB'000	Change %
Net cash flows used in operating activities	**(971,721)**	(1,823,905)	-46.7%
Net cash flows used in investing activities	**(296,531)**	(87,441)	239.1%
Net cash flows (used in)/from financing activities	**(34,628)**	3,021,858	-101.1%
Effect of exchange rate changes on cash and cash equivalents	**(46,452)**	101,882	-145.6%
Net increase in cash and cash equivalents	**(1,349,332)**	1,212,394	-211.3%

6. 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 31 December 2020, no change was made to the Group's objectives, policies or processes for capital management.

Debt ratio

	31 December 2020 RMB'000	31 December 2019 RMB'000
Total assets	**61,511,013**	57,852,542
Total liabilities	**46,545,678**	44,405,334
Total equity	**14,965,335**	13,447,208
Debt ratio	**75.67%**	76.76%

Gearing ratio

	31 December 2020 RMB'000	31 December 2019 RMB'000
Interest-bearing bank and other borrowings	**39,981,341**	38,002,843
Total equity	**14,965,335**	13,447,208
Gearing ratio	**2.67**	2.83

As at 31 December 2020, the Group's debt ratio and gearing ratio decreased slightly as compared to the end of the previous year.

7. CAPITAL EXPENDITURE

The Group's capital expenditure primarily consists of expenditure on the purchase of medical equipment, construction expenditure on hospital projects and expenditure relating to office facilities. In 2020, the Group had capital expenditure of RMB401.4 million.

Use of Proceeds from the Initial Public Offering

The shares of the Company have been listed on the Main Board of the Stock Exchange since 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 of 31 December 2020, 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 31 December 2020, 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 Group, have been fully utilized according to the usages disclosed in the Prospectus.

In 2020, the Group utilized RMB110.9 million in development and operation of hospital digitalization business, and RMB46.6 million in development of CVA project solutions and clinical department upgrade services in other new areas.

As of 31 December 2020, the remaining balance of net proceeds of the Group which we planned to use for hospital digitalization business, CVA project solutions and clinical department upgrade services in other new areas was RMB207.7 million and RMB70.4 million, respectively.

The remaining amount of RMB70.4 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 RMB207.7 million for hospital digitalization business will be used in coming years, according to the Group's development strategy and plan, for the development and operation of hospital digitalization business, further recruitments to expand our technology solutions team, continuous development of proprietary information management system for hospitals as well as related marketing activities.

8. 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.

8.1 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-earning 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	
	31 December 2020 RMB'000	31 December 2019 RMB'000
Change in base points		
+100 base points	**131,546**	165,379
-100 base points	**(131,546)**	(165,379)

8.2 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 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 strategies which hedges risk exposures one by one under comprehensive risk exposure management. It proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as forward exchange rate. As of 31 December 2020, the Group's exposure to foreign exchange risk amounted to USD1,678.85 million, USD1,667.60 million or 99.3% of which had been hedged against by various financial instruments.

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

	Change in exchange rate %	Increase/decrease in profit before tax 31 December 2020 RMB'000	31 December 2019 RMB'000
If RMB strengthens against USD/HKD	(1)	**(808)**	(299)
If RMB weakens against USD/HKD	1	**808**	299

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.

8.3 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 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-earning assets regularly to mitigate the risk of significant exposure to bad debts. Other financial assets of the Group include cash and bank deposits, accounts receivables 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 the 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 criteria:

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 lessees, 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 lessees, 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. During the whole process of each of the finance lease project, the Group took risk management measures to monitor the quality of its asset portfolio, the quality of 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 update on reclassification

The Group adopted the expected credit loss model to classify its assets related to lease receivables. Under this categorization system, the Group's assets related to 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 the industry concentration of interest-earning 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:

	31 December 2020		31 December 2019	
	RMB'000	**% of total**	RMB'000	% of total
Healthcare	**28,971,620**	**53.0%**	34,629,870	69.6%
Public utilities	**22,233,552**	**40.7%**	10,946,532	22.0%
Others	**3,445,050**	**6.3%**	4,209,237	8.4%
Total	**54,650,222**	**100.0%**	49,785,639	100.0%

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

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Net interest-earning assets	**53,552,416**	48,857,612
Accounts receivables	**670,816**	631,474
Deposits and other receivables	**138,218**	249,983
Derivative financial assets	**9,173**	220,265
Bills receivables	**430**	–

8.4 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 cash flows and evaluating the appropriateness of 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			
31 December 2020						
Total financial assets	**2,647,548**	**7,215,731**	**15,616,118**	**40,465,032**	**278**	**65,944,707**
Total financial liabilities	**(510,815)**	**(5,685,324)**	**(17,459,825)**	**(24,520,408)**	**(600)**	**(48,176,972)**
Net liquidity gap[1]	**2,136,733**	**1,530,407**	**(1,843,707)**	**15,944,624**	**(322)**	**17,767,735**
31 December 2019						
Total financial assets	3,655,877	5,792,264	14,543,548	38,657,506	104,163	62,753,358
Total financial liabilities	(496,991)	(6,327,831)	(12,603,141)	(27,164,976)	(21,645)	(46,614,584)
Net liquidity gap[1]	3,158,886	(535,567)	1,940,407	11,492,530	82,518	16,138,774

(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.

9. PLEDGE OF GROUP ASSETS

As at 31 December 2020, the Group had interest-earning assets of RMB5,764.4 million and cash of RMB420.2 million pledged or paid to banks to secure the bank borrowings.

10. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 28 February 2020, the Company and Hospital Investment Co., Ltd. entered into a cooperation agreement with No. 206 Research Institute of China Ordnance Industries (中國兵器工業第二〇六研究所) ("No. 206 Research Institute"). The parties agreed to jointly establish a joint venture (the "206 Joint Venture") with cash of RMB19.8 million contributed by Hospital Investment Co., Ltd. and the net assets of hospitals contributed by No. 206 Research Institute. Pursuant to the cooperation agreement, the 206 Joint Venture, upon its establishment, will be held as to 51% and 49% by Hospital Investment Co., Ltd. and No. 206 Research Institute, respectively.

On 31 March 2020, Hospital Investment Co., Ltd. entered into a capital increase agreement with CR State Asset. Both parties agreed to jointly increase the capital of Genertec CREC (Beijing) Hospital Management Co., Ltd. (通用中鐵(北京)醫院管理有限公司) (the "CREC Joint Venture") with cash of RMB225.3 million contributed by Hospital Investment Co., Ltd. and the net assets of hospitals contributed by CREC State Asset. Pursuant to the capital increase agreement, the CREC Joint Venture, upon completion of the capital increase, will be held as to 51% and 49% by Hospital Investment Co., Ltd. and CREC State Asset, respectively.

On 20 May 2020, the Company and Hospital Investment Co., Ltd. entered into a cooperation agreement with China Coal No. 1 Construction Co., Ltd. (中煤第一建設有限公司) ("China Coal Construction"), pursuant to which the parties agreed to establish a joint venture with cash of RMB35.6 million contributed by Hospital Investment Co., Ltd. and the net assets of hospitals contributed by China Coal Construction. Pursuant to the cooperation agreement, the joint venture, upon establishment, will be held as to 70% and 30% by Hospital Investment Co., Ltd. and China Coal Construction, respectively.

On 31 May 2020, Hospital Investment Co., Ltd. entered into a capital increase agreement with the Existing Minmetals Investors, Minmetals Innovation Investment Company Limited (五礦創新投資有限公司) ("Minmetals Innovation Investment"), CITIC Capital (Tianjin). The parties agreed to jointly increase the capital of Genertec Minmetals Hospital Management (Beijing) Company Limited (通用五礦醫院管理(北京)有限公司) ("Minmetals Joint Venture") with cash of RMB385.0 million contributed by Hospital Investment Co., Ltd., assets of hospitals contributed by the Minmetals Investors, cash of RMB41.9 million by Minmetals Innovation Investment and cash of RMB83.7 million by CITIC Capital (Tianjin). Pursuant to the capital increase agreement, the Minmetals Joint Venture, upon completion of the capital increase, will be held by Hospital Investment Co., Ltd., the Existing Minmetals Investors, Minmetals Innovation Investment and CITIC Capital (Tianjin) as to 46%, 39%, 5% and 10%, respectively.

On 31 August 2020, Hospital Investment Co., Ltd. entered into a restructuring agreement with the New Minmetals Investors, the Existing Minmetals Investors, Minmetals Innovation Investment, CITIC Capital (Tianjin) and Minmetals Joint Venture, pursuant to which the parties agreed to restructure certain medical institutions of China Minmetals Corporation (中國五礦集團有限公司) and further increase the capital of Minmetals Joint Venture. Subject to the terms and conditions under the restructuring agreement, Hospital Investment Co., Ltd., Minmetals Innovation Investment and CITIC Capital (Tianjin) will contribute RMB892.4 million, RMB97.0 million and RMB194.0 million in cash, respectively, and the New Minmetals Investors will contribute RMB756.6 million in kind by way of injecting certain assets into Minmetals Joint Venture. Upon completion of the capital increase, Minmetals Joint Venture will be held by Hospital Investment Co., Ltd., the Minmetals Investors, Minmetals Innovation Investment and CITIC Capital (Tianjin) as to 46%, 39%, 5% and 10%, respectively.

There were no significant investments held, nor were there any material disposals of subsidiaries during the year ended 31 December 2020.

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

11.1 Contingent Liabilities

	31 December 2020 RMB'000	31 December 2019 RMB'000
Legal proceedings	**–**	–
Claimed amounts	**–**	–

11.2 Capital Commitments and Credit Commitments

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Capital expenditure under signed contracts but not appropriated (1)	**1,584,121**	41,158
Credit commitments (2)	**568,952**	1,411,699

(1) Capital expenditure under signed contracts but not appropriated during the year mainly represents expenditure for investment in hospitals merged and acquired.

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

12. HUMAN RESOURCES

As of 31 December 2020, we had a total of 13,686 employees, representing an increase of 4,925 or 56.2%, compared to 8,761 employees as of 31 December 2019, which is mainly due to transfer of employees from acquired hospitals.

We have a highly-educated and high-quality work force, with about 53.3% of our employees holding bachelor's degrees and above, about 7.6% holding master's degrees and above, about 37.2% with intermediate title and above, and about 13.9% with senior vice title and above as of 31 December 2020.

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 year ended 31 December 2020, the Group complied with all statutory social insurance and housing fund obligations applicable to us under the PRC laws in all material respects.

CORPORATE GOVERNANCE PRACTICES

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

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

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2020 save for the deviation from code provision A.4.2 which is explained in the relevant paragraph of this Corporate Governance Report.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the year ended 31 December 2020.

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

BOARD OF DIRECTORS

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

The Board of the Company comprised the following directors during the year ended 31 December 2020 and up to the date of this report:

Executive Directors:
Ms. Peng Jiahong *(Vice-chairwoman and Chief Executive Officer)*
Mr. Yu Gang

Non-executive Directors:
Mr. Zhang Yichen *(Chairman)*
Ms. Liu Kun
Mr. Liu Zhiyong
Mr. Liu Xiaoping (resigned with effect from 6 March 2021)
Mr. Su Guang (resigned with effect from 6 March 2021)

Independent Non-executive Directors:
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Han Demin
Mr. Liao Xinbo

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

The biographical information of the Directors is set out in the section headed "Biography of Directors" on pages 71 to 78 of this annual report.

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

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment and Re-election of Directors

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

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year, all the Directors have participated in continuous professional training, including the E-trainings titled "Introduction to Equity Fundraising" and "ESG Governance and Reporting", and read guidance materials provided and published by the Stock Exchange.

BOARD COMMITTEES

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

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

Audit Committee

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

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

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

During the year, the Audit Committee held two meetings to review the annual financial results and reports in respect of the year ended 31 December 2019 and the interim financial results and reports in respect of the six months ended 30 June 2020, respectively. The Audit Committee also passed written resolutions during the year to resolve matters relating to the audit fees and terms of engagement of the external auditor.

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

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

Remuneration Committee

The Remuneration Committee currently consists of one non-executive Director and two independent non-executive Directors, namely Mr. Chow Siu Lui, Mr. Liu Zhiyong and Mr. Han Demin. Mr. Chow Siu Lui is the chairman of the Remuneration Committee.

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

During the year, the Remuneration Committee met once to review the Company's policy and structure for the remuneration of all Directors and senior management, the remuneration packages of the executive Directors and senior management of the Company and the remuneration of non-executive Directors as well as the service contracts of the executive Directors and the renewed letters of appointment of the non-executive Directors.

Nomination Committee

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

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

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board in terms of skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In accordance with the board diversity policy, a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit while taking into account diversity (including gender diversity). The Nomination Committee will review the board diversity policy, as appropriate, to ensure the effectiveness of the policy. The Nomination Committee will discuss any revisions that may be required and recommend any each revision to the Board for consideration and approval.

The Nomination Committee has adopted a set of nomination procedures under the terms of reference of the Nomination Committee for selection of candidates for directorship. The Nomination Committee evaluates candidate(s) based on the criteria by reference to the Company's business and corporate strategy and recommend desirable candidate(s) for directorship(s) to the Board, which include character, qualifications (including professional qualifications, skills, knowledge, experience and diversity of perspective that are relevant to the Company's business and corporate strategy), independence by reference to the Listing Rules (for appointment of independent non-executive Director) and Board diversity policy. The Nomination Committee will review annually the terms of reference and the effectiveness in the discharge of its duties and to make recommendation to the Board any changes it considers necessary.

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

Risk Control Committee

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

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

During the year, the Risk Control Committee met once to review the effectiveness of the risk management and internal control systems and the internal audit function. It has reviewed the risk management system and framework, the risk management and internal control strategy as well as the 2020 risk management work plan. These include management strategy, systems precautions, process optimization and implementation of risk management measurements. The Risk Control Committee believed that the Group's risk management and internal control systems are well-established as the Company had established appropriate risk identification, control and prevention systems in relation to different risk categories which ensure effective risk management and internal control systems of the Group. The Company should continue to strengthen its risk management and internal control systems. The Risk Control Committee also identified some possible risks faced by the Company and suggested precautionary measures to manage these risks.

Strategy Committee

The Strategy Committee currently consists of one executive Director and two non-executive Directors, namely Ms. Peng Jiahong, Mr. Zhang Yichen and Ms. Liu Kun. Ms. Peng Jiahong is the chairwoman of the Strategy Committee.

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

During the year, the Strategy Committee met once to discuss the strategy and business development of the Company. The Strategy Committee recognized the Company's strategic direction, of consolidating high-quality resources to build a shared and win-win healthcare industrial ecosystem focusing on medical services and supported by financial services. The Strategy Committee also advised the Company that it should continue to maintain the strategic determination, establish a sound risk management system, and maintain sustained and stable development.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Attendance/Number of Meetings during the tenure of directorship							
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Control Committee	Strategy Committee	2020 AGM	2020 EGM
Peng Jiahong	8/8	N/A	N/A	N/A	1/1	1/1	1/1	0/1
Yu Gang	8/8	N/A	N/A	N/A	N/A	N/A	1/1	1/1
Zhang Yichen	8/8	N/A	N/A	1/1	N/A	1/1	1/1	1/1
Liu Kun	8/8	N/A	N/A	N/A	N/A	1/1	1/1	1/1
Liu Zhiyong	8/8	N/A	1/1	N/A	1/1	N/A	1/1	1/1
Liu Xiaoping	8/8	2/2	N/A	N/A	N/A	N/A	1/1	1/1
Su Guang	8/8	N/A	N/A	N/A	1/1	N/A	1/1	1/1
Li Yinquan	8/8	2/2	N/A	N/A	N/A	N/A	1/1	1/1
Chow Siu Lui	8/8	2/2	1/1	1/1	N/A	N/A	1/1	1/1
Han Demin	8/8	N/A	1/1	N/A	N/A	N/A	1/1	1/1
Liao Xinbo	8/8	N/A	N/A	1/1	N/A	N/A	1/1	1/1

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

Independent non-executive Directors and non-executive Directors have attended general meetings to gain and develop a balanced understanding of the view of Shareholders.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditors' report on pages 153 to 157 of this annual report.

DEED OF NON-COMPETITION OF THE CONTROLLING SHAREHOLDER

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

AUDITORS' REMUNERATION

During the year ended 31 December 2020, the remuneration paid or payable to the Company's external auditors is set out below:

Ernst & Young

Service Category	Fees Paid/Payable RMB'000
Audit Services	2,999
Non-audit Services	2,254
Total	5,253

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Sound and improved risk management and internal control systems

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

Audit and compliance department carrying out internal audit function

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

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

Features of risk management and internal control systems

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

Effectiveness of the risk management and internal control systems

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

During the year, the audit and compliance department has enhanced supervision of high risk areas in operation by initiating audit work on business and mitigating operational risks. In the meantime, based on the past foundation, the audit and compliance department has conducted its audit to management which elevates the overall management of the Company. In order to ensure normal functioning of internal control system, the audit and compliance department provides regular or irregular reports on audit work to the management.

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

In 2020, in accordance with the *Basic Rules for Corporate Internal Control* (《企業內部控制基本規範》) jointly promulgated by Ministry of Finance of the PRC, China Securities Regulatory Commission, National Audit Office of the PRC, China Banking Regulatory Commission and China Insurance Regulatory Commission on 28 June 2008, external auditors conducted evaluation on internal control and reviewed the rectification work for internal control issues during internal control assessment in 2019. With emphasis on key areas of concerns and processes, relevant departments analyzed various internal control points relating to the business processes and unearthing defects and weaknesses of the internal control system for improvements in a timely manner. It ensures operations and management in compliance with laws and regulations as well as truthfulness and completeness of financial reports and relevant information, enhancing the efficiency and effectiveness of operation and safeguarding strategic development of the Group.

With a comprehensive internal control system, the Group has greatly enhanced its capability of risk management and control. Since the Company established the Risk Prevention and Control and Compliance Committee, the Company's comprehensive risk management system has been gradually built and improved, to manage the Company's operational risks and integrity risks as a whole, and to promote the risk prevention and control work of each working group. The office of the committee is set up in the audit and compliance department, which is responsible for supervising the implementation of risk prevention and control work of each working group. According to the specific work division of risk management, the committee has five working groups, including comprehensive working group, financial business group, medical business group, integrity risk group and compliance management group, which are responsible for organizing special risk management in various fields. For each type of substantial risks, the Group has developed monitoring indicators. Related departments are responsible for identification and analysis on relevant risks to determine corresponding risk strategies based on risk tolerance. The audit and compliance department collects information on risk management regularly, and the risks faced by each business unit and its risk management and control system capabilities are reflected to the management, so as to minimize losses and enhance the Group's capability against risks. In 2020, the probability of each type of substantial risks remained stable at a relatively low level as compared with last year, reflecting the effectiveness of the Group's risk management measures.

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

Inside information

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

COMPANY SECRETARY

Ms. Ng Wai Kam of Tricor Services Limited, an external service provider, has been engaged by the Company as company secretary. Her primary contact person at the Company is Ms. Peng Jiahong (Vice-chairwoman and Chief Executive Officer).

For the year ended 31 December 2020, Ms. Ng Wai Kam has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

Right to Call a General Meeting

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

Putting Forward Proposals at General Meeting

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

Putting Forward Enquiries to the Board

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

Address: Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong (for the attention of the board of directors)
Email: ir@um.gt.cn

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

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

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

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

On 17 December 2020, the Company convened an extraordinary general meeting, at which ordinary resolutions in respect of (i) the continuing connected transactions under the 2021 Construction Service Framework Agreement and the proposed annual caps thereof; and (ii) the appointment of domestic auditors of the Company were duly approved and passed by the Shareholders. Details of the continuing connected transactions and appointment of domestic auditors were disclosed in the circular of the Company dated 26 November 2020.

BIOGRAPHY OF DIRECTORS

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

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

Mr. Zhang Yichen (張懿宸先生), aged 57, is the chairman of the Board and a non-executive Director as well as the chairman of the Nomination Committee and a member of the Strategy Committee. He is primarily responsible for leading and chairing the Board and providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. Mr. Zhang was appointed as a Director on 19 June 2012 and was re-designated as a non-executive Director on 6 March 2015.

Mr. Zhang is a member of the 11th, the 12th and the 13th National Committee of the Chinese People's Political Consultative Conference. Mr. Zhang was the chairman of China Venture Capital and Private Equity Association and is currently an executive committee member of its board of governors. He is also the vice-chairman of Beijing Private Equity Association and Tianjin Private Equity Association, respectively, a member of the China Economic and Social Council and the vice-chairman of the Center for China & Globalisation. Mr. Zhang is also the chairman of the board of Golden Arches (China) Company Limited (formerly known as McDonald's (China) Co., Ltd.) and the chairman of Harbin Pharmaceutical Group Holding Co., Ltd..

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

Mr. Zhang served as a non-executive director of Frontier Services Group Limited (whose shares are listed on the main board of the Stock Exchange (stock code:00500)) from March 2020 to February 2021. Mr. Zhang served as a director of Sina Corporation (whose securities are listed on the NASDAQ Stock Market) from May 2002 to March 2021. Since December 2016, Mr. Zhang has been serving as a director of S.F. Holding Co Ltd, whose securities are listed on the Shenzhen Stock Exchange (Stock code: 002352) and since June 2018, he has been serving as a non-executive director of Asiainfo Technologies, whose securities are listed on the Stock Exchange (Stock code: 1675). Since June 2020, Mr. Zhang has been serving as an independent non-executive director of China Vanke Co., Ltd. (萬科企業股份有限公司) (whose shares are listed on the Main Board of the Stock Exchange (stock code: 2202) and Shenzhen Stock Exchange (stock code: 000002)).

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

Ms. Peng Jiahong – Executive Director, Vice-Chairwoman of the Board and Chief Executive Officer

Ms. Peng Jiahong (彭佳虹女士), aged 50, is an executive Director, the vice-chairwoman of the Board, chief executive officer, chief financial officer of the Company, the chairman of the Strategy Committee and a member of the Risk Control Committee. She is primarily responsible for overall operation of the Group, planning development strategies, business and management systems of the Group and, managing healthcare business of the Group. Ms. Peng was appointed as a Director on 22 December 2014 and was re-designated as an executive Director and deputy general manager on 6 March 2015, and appointed as the vice-chairwoman of the Board and chief executive officer of the Company on 30 November 2018. She served as the chief executive officer of the Company from December 2014 to December 2019. Ms. Peng is also a director of certain subsidiaries of the Company. Ms. Peng has several years' working experience in financial services and financial management, including 15 years in medical financing services.

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

Ms. Peng joined the Group in August 2006 as a deputy general manager of the finance department of CULC. She was then promoted to become the general manager of the finance department of CULC in September 2008. She has been the chief financial officer and the deputy general manager of CULC and the Company since December 2009 and July 2012 respectively. She was appointed as a director of CULC and the Company in December 2014 respectively.

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

Ms. Peng is the sole beneficial owner and sole director of Evergreen. Evergreen is a shareholder of the Company and holds about 0.44% of the total number of issued shares of the Company as at 31 December 2020. By virtue of the SFO, Ms. Peng is deemed to be interested in the Shares owned by Evergreen.

EXECUTIVE DIRECTORS

Mr. Yu Gang – Executive Director

Mr. Yu Gang (俞綱先生), aged 57, is an executive Director. He is primarily responsible for work of party committee and human resources affairs. Mr. Yu was appointed as a Director on 30 November 2018. Mr. Yu is also a director of certain subsidiaries of the Company.

Before joining the Group, Mr. Yu served as a lecturer in Renmin University of China from 1992 to October 1995. Mr. Yu served in Ministry of Foreign Economic Relations and Trade (currently known as Ministry of Commerce) from October 1995 to July 1998. He served as the director of the discipline inspection office of GT-PRC from June July 1998 to November 2003. He served as the deputy general manager and secretary of the discipline inspection committee of China Medicine and Healthcare Products Import and Export Company (中國醫藥保健品進出口總公司), a wholly-owned subsidiary of GT-PRC, from November 2003 to May 2009. He has been serving as a vice leader of the discipline inspection group of the leading party member's group, deputy secretary of the commission for discipline and director of discipline inspection office of GT-PRC, since May 2009. Mr. Yu is also serving as a director of Genertec Investment Management Co., Ltd. (通用技術集團投資管理有限公司), a subsidiary of GT-PRC.

Mr. Yu graduated from Law School of Renmin University of China (中國人民大學) with a master's degree in law in July 1992.

OTHER NON-EXECUTIVE DIRECTORS

Ms. Liu Kun – Non-executive Director

Ms. Liu Kun (劉昆女士) (with former name Liu Bo (劉波)), aged 50, is a non-executive Director and a member of the Strategy Committee. She is primarily responsible for advising on matters that Directors' discussion and/or approval is required and participating in Board meetings. Ms. Liu was appointed as a Director with effect from 30 November 2018.

Ms. Liu is serving as a member of the twelfth executive committee of All-China Women's Federation, invited consultant of China Council for International Cooperation on Environment and Development, vice director of the management modernization committee of China Enterprise Confederation, vice chairman of Central Enterprise Think Tank Alliance, expert in both of the pools of public-private partnership experts of National Development and Reform Commission and Ministry of Finance, guest professor of China Business Executives Academy, Dalian, which is affiliated to the State-owned Assets Supervision and Administration Commission of the State Council, and guest researcher in Green Finance and Sustainable Development Research Center of University of International Business and Economics (對外經濟貿易大學). She used to be a representative of the 14th Beijing Municipal People's Congress.

Ms. Liu is serving as the general manager of coordinated development department and the general manager of the medical healthcare department of GT-PRC, the controlling shareholder of the Company and a director of GT-PRC Healthcare Company Limited (通用技術集團醫療健康有限公司), a wholly-owned subsidiary of GT-PRC. She served as the general manager and legal representative of China General Consulting & Investment Co., Limited (中國通用諮詢投資有限公司), a wholly-owned subsidiary of GT-PRC, the chairman and legal representative of General (Beijing) Investment Fund Management Company Limited (通用(北京)投資基金管理有限公司), and the chairman of the board of China General Consulting & Investment (Hong Kong) Co., Limited (中國通用諮詢投資香港有限公司). She also served as a director and general manager of China Xinxing Group Co., Ltd. (中國新興集團有限責任公司), a wholly-owned subsidiary of GT-PRC, and the chairman of China General Xinxing Real Estate Co., Ltd. (中國通用新興地產有限公司).

Ms. Liu obtained a bachelor's degree in foreign trade English from University of International Business and Economics in June 1991. She obtained a master's degree in political economics from Jinlin University in December 1999 and a master's degree in business administration from Oxford Brookes University of the United Kingdom in August 2004. She obtained the certificate of senior international business engineer in December 2000 and the certificate of senior economist in October 2010. In 2020, she was given the title of National Woman Pace-setter in Covid-19 Virus Combat by All-China Women's Federation.

Mr. Liu Zhiyong – Non-executive Director

Mr. Liu Zhiyong (劉志勇先生), aged 50, a non-executive Director and currently the member of the Remuneration Committee and Risk Control Committee. He is primarily responsible for providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval. He was appointed as a Director since 19 April 2012 and was re-designated as a non-executive Director on 6 March 2015. Mr. Liu was the director of CULC in December 2005.

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Yinquan – Independent Non-executive Director

Mr. Li Yinquan (李引泉先生), aged 65, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Audit Committee of the Company.

Mr. Li has served as an independent non-executive director of Million Cities Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 2892)) since June 2018, has served as an independent non-executive director of Hong Kong Shanghai Alliance Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 1001)) since July 2018, has served as an independent non-executive director of Kimou Environmental Holding Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 6805)) since July 2019, and has served as an independent non-executive director of Lizhi Inc. (whose shares are listed on the NASDAQ Stock Market (stock code: LIZI)) since January 2020. Mr. Li has served as an independent non-executive director of China Everbright Bank Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6818) and Shanghai Stock Exchange (stock code: 601818)) since June 2020.

Mr. Li successively served as the general manager of the financial department, financial controller and vice president of China Merchants Group in March 2000, and the chief executive officer of China Merchants Capital Co., Ltd during 2000 to 2017. He served as an executive director of China Merchants Port Holdings Company Limited (formerly known as China Merchants Holdings (International) Company Limited) (whose shares are listed on the main board of the Stock Exchange (stock code: 144)) from June 2001 to March 2015 and a non-executive director of China Merchants Bank Co., Ltd. (whose shares are listed on the main board of the Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036)) from April 2001 to June 2016. He was an executive director of China Merchants Energy Shipping Co., Ltd. (whose shares are listed on the Shanghai Stock Exchange (stock code: 601872)) from April 2007 to September 2010. He was an executive director of China Merchants China Direct Investments Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 133)) from July 2008 to April 2017.

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

Mr. Chow Siu Lui – Independent Non-executive Director

Mr. Chow Siu Lui (鄒小磊先生), aged 60, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the Audit Committee.

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

Mr. Chow is now an independent non-executive director of Fullshare Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 607)), Futong Technology Development Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 465)) and Shanghai Dazhong Public Utilities (Group) Co., Ltd. (whose shares are listed on the main board of the Stock Exchange (stock code: 1635)), China Everbright Greentech Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 1257)), and China Tobacco International (HK) Company Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 6055)), and Global Cord Blood Corporation (whose shares are listed on the NASDAQ Stock Market (stock code: CO)), respectively. Mr. Chow is now a non-executive director of Renrui Human Resources Technology Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 6919)). He acted as an independent non-executive director of Sinco Pharmaceuticals Holdings Limited (whose shares are listed on the main board of the Stock Exchange (stock code: 6833)) from September 2015 to November 2018.

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

Mr. Han Demin – Independent Non-executive Director

Mr. Han Demin (韓德民先生), aged 69, was appointed as an independent non-executive Director and a member of the Remuneration Committee on 13 April 2016.

Mr. Han is an academician of Chinese Academy of Engineering and expert in otolaryngology-head and neck surgery. He is now the head of otolaryngology-head and neck surgery department of Beijing Tongren Hospital, Capital Medical University and the dean of Otolaryngology School, Capital Medical University. He is also a director of Collaborating Center for Prevention of Deafness and Hearing Impairment of the World Health Organisation, president of the World Chinese Society of Otolaryngology-Head and Neck Surgery* (世界華人耳鼻咽喉頭頸外科學會), honorary chairman of Otolaryngology-Head and Neck Surgery Branch under Chinese Medical Association in January 2019, honorary chairman of the Otolaryngology-Head and Neck Surgeons Branch under Chinese Medical Doctor Association (January 2019) and chairman of China International Exchange and Promotive Association for Medical and Health Care and head of National Guidance Team for Prevention and Treatment of Deafness. Mr. Han has served as the independent director of Northeast Pharmaceutica Holding Co., Ltd. (whose shares are listed on the Shenzhen Stock Exchange (stock code: 000597)) since July 2018.

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

* *For identification only*

Mr. Liao Xinbo – Independent Non-executive Director

Mr. Liao Xinbo (廖新波先生), aged 65, was appointed as an independent non-executive Director and a member of the Nomination Committee on 2 December 2019.

Mr. Liao is a member of the core experts group of China Alliance for Patient Safety (中國患者安全聯盟核心專家組), an expert of the national think tank of Xinhuanet Health China Promotion Working Committee (新華網健康中國促進工作委員會國家智庫), a deputy director (副主任委員) of the Intelligent Medicine Professional Committee of the Chinese Medical Doctor Association (中國醫師協會智慧醫療專業委員會), and the director (主任) of the Research Center of Medical Behavior in Shanghai Jiaotong University (上海交通大學醫療行為研究中心). From December 1982 to February 2004, Mr. Liao worked in Guangdong Provincial People's Hospital (廣東省人民醫院), engaged in clinical pathology for 11 years and then hospital management for another 11 years. He served in the Department of Health of Guangdong Province (廣東省衛生廳) for 12 years, holding positions as deputy director (副廳長) and inspector (巡視員), and later served as a deputy director (副主任) of Health and Family Planning Commission of Guangdong Province (廣東省衛生和計劃生育委員會). Mr. Liao graduated from the Medical Department of Guangzhou Medical College (currently known as Guangzhou Medical University) with a bachelor's degree in 1982, obtained a master's degree from China Europe International Business School in 2003 and a master's degree in advanced hospital administration from Lingnan (University) College of Sun Yat-Sen University in 2005.

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report of the year 2020 together with the audited financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL BUSINESS ACTIVITIES

The Group is a leading medical and health conglomerate in China. Our business can be divided into four major sectors, i.e. hospital operation and management, medical finance, medical digitalization and medical technology services.

BUSINESS REVIEW

Part of the business review as required under Schedule 5 of the Companies Ordinance is included in the section headed "Management Discussion and Analysis" in this annual report on pages 13 to 56 and the section headed "Environmental, Social and Governance Report" in this annual report on pages 111 to 152, and such contents form part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss on page 158 of this annual report.

The Board recommends the payment of a final dividend of HKD0.31 per Share in respect of the year ended 31 December 2020 to Shareholders whose names appear on the register of members of the Company on 17 June 2021. The proposed final dividend will be paid on 28 June 2021, subject to approval at the 2021 AGM.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), which aims to set out the principles and guidelines that the Company applies to the declaration and distribution of dividends to the Shareholders. The Company may by ordinary resolution declare dividends as the Directors consider appropriate. The determination to pay dividends will be based on the Company's profits, cash flows, financial condition, capital requirements and other conditions that the Board deems relevant. No dividend shall be payable except out of the profits or other distributable reserves of the Company available for distribution. Except as otherwise provided by the Articles or the rights attached to Shares or the terms of issue thereof, all dividends shall be declared and paid according to the amounts paid up on the Shares on which the dividend is paid. The Company may pay dividends by any method that the Directors consider appropriate.

CLOSURE OF REGISTER OF MEMBERS

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

(i) from Thursday, 3 June 2021 to Tuesday, 8 June 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 2 June 2021; and

(ii) from Tuesday, 15 June 2021 to Thursday, 17 June 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 11 June 2021.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 27 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2020.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 162 to 163 of this annual report and Note 28 to the financial statements, respectively.

As at 31 December 2020, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB5,430.1 million.

DIRECTORS

During the financial year ended 31 December 2020 and up to the date of this report, our Directors were as follows:

Executive Directors

Ms. Peng Jiahong
Mr. Yu Gang

Non-executive Directors

Mr. Zhang Yichen
Ms. Liu Kun
Mr. Liu Zhiyong
Mr. Liu Xiaoping (resigned with effect from 6 March 2021)
Mr. Su Guang (resigned with effect from 6 March 2021)

Independent Non-executive Directors

Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Han Demin
Mr. Liao Xinbo

DIRECTORS OF SUBSIDIARIES

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2020
1	CULC	Peng Jiahong Yu Gang Wang Wenbing
2	Genertec Universal International Financial Leasing (Tianjin) Co., Ltd. (通用環球國際融資租賃(天津)有限公司)	Peng Jiahong Wang Fang Liu Yihong
3	Genertec Universal Medical Technology Services (Tianjin) Co., Ltd.	Peng Jiahong
4	Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd.	Peng Jiahong
5	Genertec CREC (Beijing) Hospital Management Co., Ltd. (通用中鐵(北京)醫院管理有限公司)	Peng Jiahong He Mengtong Feng Qingming Zhang Yanbing Liu Yihong
6	Xi'an Ronghui Hospital Construction Management Co., Ltd. (西安融慧醫院建設管理有限公司)	Peng Jiahong
7	Xi'an Wanheng Medical Technology Development Co., Ltd. (西安萬恆醫療科技發展有限公司)	Peng Jiahong Yu Gang Wang Shuo Shi Bingyin Ma Xinge
8	Shaanxi Huahong Pharmaceutical Co., Ltd. (陝西華虹醫藥有限公司)	Peng Jiahong Yu Gang Wang Shuo Shi Bingyin Ma Xinge
9	Universal Number One Co., Ltd.	Peng Jiahong
10	Genertec Universal Medical Development (BVI) Co., Ltd.	Peng Jiahong

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2020
11	Genertec Universal Medical Financial Leasing (Zhuhai Hengqin) Co., Ltd. (通用環球醫療融資租賃(珠海橫琴)有限公司)	Peng Jiahong Yu Gang Liu Yihong
12	Genertec Universal Hospital Management Handan Co., Ltd. (通用環球醫院管理邯鄲有限公司)	Li Peng
13	Anhui Huankang Hospital Management Co., Ltd. (安徽環康醫院管理有限公司)	Liu Yihong
14	Genertec Universal Medical (Xi'an) Co., Ltd. (通用環球醫療(西安)有限公司)	Peng Jiahong Du Wenzhao Wang Shuangquan Wang Shuo Zhou Haisha
15	Yantai Harbour Hospital Co., Ltd. (煙台海港醫院有限公司)	Peng Jiahong Xie Gang Guo Xiaolian Zhang Tianyu Xu Guowang Zhao Jiandong Meng Fanxue
16	Genertec Universal Xi'an Aero-Engine Hospital (Xi'an) Co., Ltd. (通用環球西航醫院(西安)有限公司)	Peng Jiahong Wang Shuo Wang Hongjun Zhang Jin Luo Xiaolan
17	Genertec Ansteel Hospital Management Co., Ltd. (通用鞍鋼醫院管理有限公司)	Peng Jiahong Geng Shugang Wang Shuzeng Xu Shishuai Guo Xiaolian
18	Sichuan Huankang Hospital Management Co., Ltd. (四川環康醫院管理有限公司)	Yu Chao Zhou Haisha Xu Hongliang Yang Dong Cao Yufei

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2020
19	Genertec Universal Caihong (Xianyang) Hospital Management Co., Ltd. (通用環球彩虹(咸陽)醫院管理有限公司)	Peng Jiahong Chen Zhongguo Feng Qingming Wang Shuo Kang Pengjiang
20	Genertec Universal CREC (Xi'an) Hospital Management Co., Ltd. (通用環球中鐵(西安)醫院管理有限公司)	Peng Jiahong Qiu Cheng Feng Qingming Li Xin Wang Shuo
21	Genertec Universal Medical Technology Advisory (Yantai) Co., Ltd. (通用環球醫療技術咨詢(煙台)有限公司)	Meng Fanxue
22	Genertec Universal Medical Science and Technology (Hainan) Co., Ltd. (通用環球醫療科技(海南)有限公司)	Peng Jiahong
23	Shanxi Yangmei Group General Hospital Medical Management Co., Ltd. (山西陽煤總院醫療管理有限公司)	Peng Jiahong Duan Baoshan Yu Guang Guo Xiaolian Zhang Zhen Jia Zhiwen Zheng Huiping
24	Chengdu Genertec Jindian Hospital Management Co., Ltd. (成都通用錦電醫院管理有限公司)	Yu Guang
25	Genertec Ansteel (Anshan) Health Industry Co., Ltd. (通用鞍鋼(鞍山)健康產業有限公司)	Geng Shugang Liu Xin Gu Yan Liu Gang Zha Shili Wang Ligong Sun Xiaohui

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2020
26	Liaoning Xingye Pharmaceutical Co., Ltd. (遼寧興業醫藥有限公司)	Wang Yunfeng
27	Genertec Minmetals Hospital Management (Beijing) Co., Ltd. (通用五礦醫院管理(北京)有限公司)	Peng Jiahong Zhang Haipeng Zhou Jianfeng Zhang Jianguo Feng Qingming Xie Gang Zhao Chengyi
28	Shaanxi CREC Occupational Health Technology Services Co., Ltd. (陝西省中鐵職業衛生技術服務有限公司)	Liang Xiaoxia
29	Genertec Universal (Tianjin) Hospital Group Co., Ltd. (通用環球(天津)醫院集團有限公司)	Peng Jiahong
30	Genertec Universal Healthcare Industry Development (Tianjin) Co., Ltd. (通用環球健康產業發展(天津)有限公司)	Peng Jiahong
31	Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd. (通用環球兵工(西安)醫院管理有限公司)	Wang Shuo Chen Hong Chen Rong
32	Genertec Universal (Xi'an) Health Hospital Management Co., Ltd. (通用環球(西安)健康醫院管理有限公司)	Guo Xiaolian Wang Shuo Jia Yongan Chen Minghong Dong Huiling
33	Genertec Universal Chinacoal (Handan) Hospital Management Co., Ltd. (通用環球中煤(邯鄲)醫院管理有限公司)	Yu Guang Huang Zhijie Liu Guiyin Bi Zhenli Zhou Yongmei

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Biographical details of the Directors are set out on pages 71 to 78 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2020, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

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

Executive Directors

Ms. Peng Jiahong entered into a service contract with the Company pursuant to which she agreed to act as an executive Director for an initial term of five years with effect from 22 December 2014, and her service in the Company was extended for another three years on 22 December 2019. Pursuant to the resolutions in writing of the shareholders passed on 10 June 2015 and the board resolution passed on 30 October 2019, respectively, the form and substance of the service contract (including the duration thereof) made between Ms. Peng Jiahong and the Company were approved.

Mr. Yu Gang has entered into a service contract with the Company as an executive Director, pursuant to which he was appointed since 30 November 2018, and he shall hold office until the conclusion of the next annual general meeting of the Company following his appointment, and shall then be eligible for re¬election at that general meeting. Pursuant to the Shareholders' approval at the Company's 2019 annual general meeting ("2019 AGM"), such service contract was extended and he shall hold office until the conclusion of third annual general meeting of the Company following the extension.

The aggregate amount of the basic annual salaries of Ms. Peng Jiahong and Mr. Yu Gang is RMB3.5 million. In addition, each of the executive Directors is also entitled to a discretionary management bonus taking into consideration the financial performance of the Group and the relevant executive Director's individual contribution to the Group for the financial year concerned. An executive Director may not vote on any resolution of Directors regarding the amount of the management bonus payable to him/her.

Non-executive Directors and Independent Non-executive Directors

Each of Mr. Liu Xiaoping and Mr. Su Guang resigned as a non-executive Director with effect from 6 March 2021. Each of Mr. Zhang Yichen and Mr. Liu Zhiyong entered into a letter of appointment with the Company on 6 March 2021 to renew his service in the Company for a term of three years commencing from 6 March 2021. Ms. Liu Kun has entered into a letter of appointment with the Company, pursuant to which she was appointed as a non-executive Director with effect from 30 November 2018, and she shall hold office until the conclusion of the next annual general meeting of the Company following her appointment, and shall then be eligible for re-election at that general meeting. Pursuant to the Shareholders' approval at the 2019 AGM, Ms. Liu's appointment was extended for a term commencing from 5 June 2019 until the conclusion of the third annual general meeting of the Company following this extension.

Each of the independent non-executive Directors, other than Mr. Han Demin and Mr. Liao Xinbo, has entered into a letter of appointment with the Company on 6 March 2021 to renew his service in the Company for a term of three years commencing from 9 June 2021. Mr. Han Demin entered into a letter of appointment with the Company to extend his appointment as an independent non-executive Director until the conclusion of the 2019 AGM on 13 April 2019, and his appointment was further extended for a term of three years with effect from 13 April 2019. Mr. Liao Xinbo entered into a letter of appointment with the Company, pursuant to which he was appointed as an independent non-executive Director with effect from 2 December 2019, and he held office until the conclusion of the next annual general meeting of the Company following his appointment, and then was eligible for re-election at that general meeting. Pursuant to the Shareholders' approval at the 2020 annual general meeting, Mr. Liao's appointment was extended for a term of three years commencing from 9 June 2020 until the conclusion of the third annual general meeting of the Company following this extension.

The non-executive Directors are not entitled to any director's fee (except Mr. Liu Xiaoping and Mr. Su Guang, each of whom is entitled to a director's fee of HKD200,000 and an allowance of HKD10,000 per annum). Each of the independent non-executive Directors is entitled to a director's fee of HKD200,000 and an allowance of HKD10,000 per annum.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Directors and the senior management of the Group for the year ended 31 December 2020 are set out in Note 7 and Note 8 to the consolidated financial statements of the Company. The remuneration of one senior management personnel fell within the band from HKD4,000,001 to HKD5,000,000. One senior management personnel fell within the band from HKD8,000,001 to HKD9,000,000. One senior management personnel fell within the band from HKD20,000,001 to HKD21,000,000.

PERMITTED INDEMNITY PROVISION

In accordance with the definition of section 469 of the Companies Ordinance, the permitted indemnity provision in relation to the director's and officer's liability insurance was in force during the financial year ended 31 December 2020 and remains in force as at the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

The Company has entered into certain continuing connected transaction framework agreements with GT-PRC and/or its associates, as set out in the section headed "Continuing Connected Transactions" on pages 97 to 106 of this annual report. Each of Ms. Liu Kun and Mr. Liu Zhiyong (both non-executive Directors) holds positions in GT-PRC or its close associates, but they do not hold any management position within the Company and are not involved in the daily management of the Company.

On 31 May 2020, Hospital Investment Co., Ltd. (a wholly-owned subsidiary of the Company) entered into a capital increase agreement with the Existing Minmetals Investors, Minmetals Innovation Investment and CITIC Capital (Tianjin), pursuant to which the parties agreed to increase the capital of Genertec Minmetals Hospital Management (Beijing) Company Limited (通用五礦醫院管理(北京)有限公司) (the "Target Company"), details of which are set out in the announcements of the Company dated 1 June 2020 and 5 June 2020. On 31 August 2020, Hospital Investment Co., Ltd. entered into a restructuring agreement with the New Minmetals Investors, the Existing Minmetals Investors, Minmetals Innovation Investment, CITIC Capital (Tianjin) and the Target Company, pursuant to which the parties agreed to restructure the certain medical institutions affiliated with China Minmetals Corporation (中國五礦集團有限公司) and further increase the capital of the Target Company, details of which are set out in the announcement of the Company dated 1 September 2020. Mr. Zhang Yichen is the chairman and chief executive officer of CITIC Capital, the holding company of CITIC Capital (Tianjin), and Mr. Li Yinquan is a director of China Minmetals Corporation, the holding company of the Existing Minmetals Investors, the New Minmetals Investors and Minmetals Innovation Investment. Each of Mr. Zhang Yichen and Mr. Li Yinquan does not hold any management position within the Company and are not involved in the daily management of the Company.

On 29 December 2020, Genertec Universal Medical Development (BVI) Co., Ltd. (a wholly-owned subsidiary of the Company), the Company and CCP Leasing II Limited (an associate of Mr. Zhang Yichen, a non-executive Director) entered into a subscription agreement in relation to, among others, the issue of the convertible bonds in an aggregate principal amount of US$150,000,000, details of which are set out in the announcement of the Company dated 29 December 2020 and the circular of the Company dated 14 January 2021. Mr. Zhang Yichen does not hold any management position within the Company and is not involved in the daily management of the Company.

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

COMPETING BUSINESS

The compliance of the Company's controlling shareholder of the non-competition undertakings (the "Non-competition Undertakings") entered into in favour of the Company on 10 June 2015 is set out in the Corporate Governance Report.

During the year, none of the controlling shareholder of the Company or its close associates is considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the core businesses as defined in the Non-competition Undertakings.

During the year ended 31 December 2020, Ms. Liu Kun, a non-executive Director, had interests in the following business, which is considered to compete or be likely to compete, either directly or indirectly, with our businesses:

Name of Company	Interest in the Competing Business	Nature of the Competing Business
GT-PRC Healthcare Company Limited	Director	Medical and healthcare business

As Ms. Liu Kun is not member of our executive management team, we do not believe that her interests in the above business as director would render us incapable of carrying on our businesses independently from GT-PRC Healthcare Company Limited.

Save as disclosed above, during the year, none of the Directors or their respective close associates is considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with our businesses.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at 31 December 2020, other than the circumstances as disclosed in the Prospectus, and the announcements of the Company dated 11 December 2017, 4 September 2018, 12 May 2020 and 25 November 2020, respectively, there were no other circumstances that give rise to a disclosure required under Rule 13.18 of the Listing Rules.

PENSION SCHEME

Details of the pension scheme of the Company are set out in the paragraph headed "Post-Retirement Benefit Obligations" in Note 26 to the financial statements.

EQUITY-LINKED AGREEMENTS

On 29 December 2020, Genertec Universal Medical Development (BVI) Co., Ltd., the Company and CCP Leasing II Limited entered into a subscription agreement in relation to, among others, the issue of the convertible bonds in an aggregate principal amount of US$150,000,000, details of which are set out in the announcement of the Company dated 29 December 2020 and the circular of the Company dated 14 January 2021.

Other than the above and the Share Option Scheme as disclosed below, no equity-linked agreements were entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year ended 31 December 2020.

SHARE OPTION SCHEME

On 31 December 2019, the Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to, among others, (i) further refine the corporate governance structure of the Company; (ii) establish a complete remuneration system, promote the Company's incentive and disciplinary mechanism, and encourage the initiative and commitment of its directors, senior management, and key employees; and (iii) attract and retain talents to strive for the long-term development of the Company.

The scope of the participants of the Share Option Scheme should be determined after taking into account the actual situation of the Company, in accordance with, among others, the Listing Rules, other applicable laws and regulations, and the Articles. The participants should in principle be limited to the Directors, senior management and other key employees of the Company who have direct impact on the Company's overall development.

The total number of Shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme shall not in aggregate exceed 171,630,458 Shares, representing (i) 10% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the Shareholders at the extra-ordinary general meeting held on 31 December 2019, and (ii) approximately 9.07% of the Company's issued share capital as at the date of this report.

The maximum number of Shares which are issued and may be issued upon exercise of all options (including exercised and outstanding Options) granted to any participant within any 12-month period shall not exceed 1% of the issued share capital of the Company, unless being approved by the Shareholders at a general meeting.

The Share Option Scheme shall be valid and effective for a period of ten years commencing from the adoption date, under which the first phase of the Share Option Scheme shall be valid for a period of five years. The Company may initiate a new phase of the Share Option Scheme two years after the effective date of the former one, subject to the relevant approvals. The vesting period of the options granted is 24 months from the grant date. Upon satisfaction of the relevant performance conditions and subject to the evaluation results of the participants, the participants are able to exercise their options in accordance with the arrangement specified in the terms of the Share Option Scheme, within 36 months after the expiry of the vesting period. Any option that remains unexercised upon expiry of such 36 months-period will automatically lapse.

An offer of the grant of the option shall be made to a participant and such offer shall remain open for acceptance by the participant concerned for a period of 21 days (as determined by the Board from time to time) from the date upon which the offer is made. An offer of the grant of the option shall be deemed to have been accepted and the option to which such offer relates shall be deemed to have been granted and to have taken effect when a duplicate letter comprising acceptance of offer duly signed by the participant with the number of Shares clearly stated therein, together with a remittance in favour of the Company of HKD1.00 as consideration for the grant thereof is received by the Company.

The exercise price of the share options granted under the Share Option Scheme shall be such price as determined by the Board in accordance with the requirements of the SASAC and the Stock Exchange, which shall not be less than the higher of (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the grant date; (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the grant date; and (iii) the nominal value of the Shares (if any).

On 31 December 2019, as approved by the Board, the Company granted share options to certain eligible participants to subscribe for an aggregate of up to 16,065,000 ordinary Shares, representing approximately 0.936% of the issued share capital of the Company as at the effective date, at the price of HKD5.97 per Share, as the first phase of the Share Option Scheme. Such grant of options has taken effect since 2 January 2020. Among the 16,065,000 options granted, a total of 2,644,000 options were granted to two Directors and the acceptance letters have been signed. Details of the options granted to the Directors are set out as follows:

Name of Directors	Position	Number of Shares to be issued upon full exercise of the options granted
Ms. Peng Jiahong	Executive Director, chief executive officer and general manager of the Company	1,322,000
Mr. Yu Gang	Executive Director	1,322,000
Total		2,644,000

Vesting period of the options granted on 31 December 2019 is 24 months from 31 December 2019. Upon satisfaction of the relevant performance conditions and subject to the evaluation results of the grantees and the terms of the first phase of the Share Option Scheme, the Grantees would be able to exercise their options after the expiry date of the vesting period (the "Expiry Date") and according to the schedule as set out below:

i. one third of the options granted would be exercisable within the period starting from the first trading date immediately after the Expiry Date, and ending on the last trading date of the 36-month period after 31 December 2019;

ii. one third of the options granted would be exercisable within the period starting from the first trading date immediately after the end of the abovementioned 36-month period, and ending on the last trading date of the 48-month period after 31 December 2019; and

iii. one third of the options granted would be exercisable within the period starting from the first trading date immediately after the end of the abovementioned 48-month period, and ending on the last trading date of the 60-month period after 31 December 2019.

Details of the options granted under the Share Option Scheme and those remained outstanding as at 31 December 2020 are as follows:

	Number of Options					
Name of Option Holders	Outstanding as at 1 January 2020	Exercised During the Report Period	Cancelled During the Report Period	Lapsed During the Report Period	Outstanding as at 31 December 2020	Exercise Price (1)
Directors						
Ms. Peng Jiahong	1,322,000	–	–	–	1,322,000	HKD5.97
Mr. Yu Gang	1,322,000	–	–	–	1,322,000	HKD5.97
Other Employees	13,421,000	–	–	–	13,421,000	HKD5.97
Total	16,065,000	–	–	–	16,065,000	

Note:

(1) Representing the higher of: a. the closing price of HKD5.97 per Share as stated in the Stock Exchange's daily quotations sheet on the effective date; and b. the average closing price of HKD5.746 per Share as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the effective date. Closing price of the Shares immediately before the effective date is HKD5.90 per Share.

The Board considers that it is not appropriate to state the value of the options granted pursuant to the Share Option Scheme as if they were granted at the date of this annual report. The Board believes that any statement regarding the value of the options as at the date of this annual report will not be meaningful to the Shareholders and to a certain extent would be misleading to the Shareholders, taking into account the number of variables which are crucial for assessing the value of the options which have not been determined.

Details of the impact of the options granted under the Share Option Scheme on the consolidated financial statements since the grant date of such options and the subsequent financial periods are set out under Note 35 to the consolidated financial statements in this report.

A summary of the terms of the Share Option Scheme has been set out in the circular of the Company dated 12 December 2019.

MANAGEMENT CONTRACTS

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

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

As at 31 December 2020, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Long Positions in the Shares and the underlying Shares:

Name of Shareholders	Nature of interest	Number of Shares interested	Approximate percentage of interest held in the Company
GT-HK *(Note 1)*	Beneficial owner	617,361,895	35.97%
GT-PRC *(Note 1)*	Interest of controlled corporation	680,840,200	39.67%
CITIC CPL *(Note 2)*	Interest of controlled corporation	177,210,365	10.33%
CITIC Capital *(Note 2&3)*	Interest of controlled corporation	240,722,365	14.03%

Notes:

1. Among the 680,840,200 Shares, 617,361,895 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 680,840,200 Shares held by GT-HK and CGCI-HK.

2. CCP Leasing II Limited, a wholly-owned subsidiary of CITIC Capital China Partners IV, L.P., is interested in 177,210,365 Shares, which arises from the entering into a subscription agreement in relation to subscription of convertible bonds in the amount of USD150 million with the Group on 29 December 2020. The general partner of CITIC Capital China Partners IV, L.P. is CCP IV GP Ltd. CCP IV GP Ltd. is a wholly-owned subsidiary of CCP Ltd., which is wholly owned by CITIC CPL. CITIC CPL is held as to 51% and 49% by CITIC Capital and CP Management Holdings Limited (which is wholly owned by Mr. Zhang Yichen), respectively. By virtue of the SFO, CITIC Capital is deemed to be interested in the 177,210,365 Shares directly held by CCP Leasing II Limited.

3. Other than the 177,210,365 Shares mentioned above, CITIC Capital is also interested in another 63,512,000 Shares, 8,279,000 Shares of which are directly held by CITIC Capital (Tianjin) and 55,233,000 Shares are indirectly held by CITIC Capital (Tianjin) through its wholly-owned subsidiary, Infinite Benefits Limited. CITIC Capital (Tianjin) is held as to 62.31% by Prestige Way Limited, a wholly-owned subsidiary of Prestige Way Holdings Limited. Prestige Way Holdings Limited is a wholly-owned subsidiary of CITIC Capital MB Investment Limited, which is wholly owned by CITIC Capital. By virtue of the SFO, CITIC Capital is deemed to be interested in the 63,512,000 Shares.

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

As at 31 December 2020, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) Long positions in Shares

Name	Nature of interest	Position	Number of Shares interested	Approximate percentage of interest held in the Company
Peng Jiahong [(1)]	Interest of controlled corporation	Executive Director	7,617,400	0.44%
Liu Zhiyong	Beneficial owner	Non-executive Director	200,000	0.01%
Zhang Yichen [(2)]	Interest of controlled corporation	Non-executive Director	177,210,365	10.33%

(B) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name	Nature of interest	Position	Number of underlying shares in respect of the share options granted	Approximate percentage of interest held in the Company
Peng Jiahong [(3)]	Beneficial owner	Executive Director	1,322,000	0.08%
Yu Gang [(4)]	Beneficial owner	Executive Director	1,322,000	0.08%

Notes:

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

(2) CCP Leasing II Limited, a wholly-owned subsidiary of CITIC Capital China Partners IV, L.P., is interested in 177,210,365 Shares, which arises from the entering into a subscription agreement in relation to subscription of convertible bonds in the amount of USD150 million with the Group on 29 December 2020. The general partner of CITIC Capital China Partners IV, L.P. is CCP IV GP Ltd. CCP IV GP Ltd. is a wholly-owned subsidiary of CCP Ltd., which is wholly owned by CITIC CPL. CITIC CPL is held as to 51% and 49% by CITIC Capital and CP Management Holdings Limited (which is wholly owned by Mr. Zhang Yichen), respectively. By virtue of the SFO, Mr. Zhang Yichen is deemed to be interested in the 177,210,365 Shares directly held by CCP Leasing II Limited.

(3) Ms. Peng Jiahong was granted an option to subscribe for 1,322,000 Shares under the Share Option Scheme.

(4) Mr. Yu Gang was granted an option to subscribe for 1,322,000 Shares under the Share Option Scheme.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

The information of the customers and suppliers is as follows:

	Percentage of the total income (before business taxes and surcharges) for the year ended 31 December 2020
Five largest customers	3%
The largest customer	1%

	Percentage of the total cost of sales for the year ended 31 December 2020
Five largest suppliers	16%
The largest supplier	5%

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

EMPLOYEES

As at 31 December 2020, the Group had a total of 13,686 employees, while it had a total 8,761 employees as at 31 December 2019.

For the year ended 31 December 2020, the Group did not experience any strikes or significant labor disputes which materially affected the operation of the Group. The Group maintained good relationship with its employees.

CONTINUING CONNECTED TRANSACTIONS

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

The Group has complied with the pricing policy of the Group in respect of the continuing connected transactions for the year ended 31 December 2020.

GT-PRC holds approximately 35.99% of the total issued Shares through its wholly-owned subsidiaries and is the controlling shareholder of the Company. Therefore, GT-PRC and its associates constitute connected persons of the Company.

EXPIRED FRAMEWORK AGREEMENTS

Advisory Service Purchase Framework Agreement

To renew the advisory service purchase framework agreement entered into between the Company and GT-PRC on 10 June 2015, the annual caps of which were revised on 20 November 2015, the Company entered into an advisory service purchase framework agreement (the "Advisory Service Purchase Framework Agreement") with GT-PRC on 1 December 2017, pursuant to which the Company and/or its subsidiaries shall purchase advisory services from GT-PRC and/or its associates. The Advisory Service Purchase Framework Agreement commenced from 1 January 2018 and expired on 31 December 2020 without renewal.

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

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

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

Advisory Service Provision Framework Agreement

To renew the advisory service provision framework agreement entered into between the Company and GT-PRC on 10 June 2015, the Company entered into an advisory service provision framework agreement (the "Advisory Service Provision Framework Agreement") with GT-PRC on 1 December 2017, pursuant to which the Company and/or its subsidiaries shall provide advisory services to GT-PRC and/or its associates. The Advisory Service Provision Framework Agreement commenced from 1 January 2018 and expired on 31 December 2020 without renewal.

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

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

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

Product Sales Framework Agreement

To renew the product sales framework agreement entered into between the Company and GT-PRC on 10 June 2015, the Company entered into a product sales framework agreement (the "Product Sales Framework Agreement") with GT-PRC on 1 December 2017, pursuant to which the Company and/or its subsidiaries shall sell exclusively distributed medical devices and proprietary hospital information and management systems to GT-PRC and/or its associates. The Product Sales Framework Agreement commenced from 1 January 2018 and expired on 31 December 2020 without renewal.

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

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

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

Finance Lease Framework Agreement

To renew the finance lease framework agreement entered into between the Company and GT-PRC on 10 June 2015, the Company entered into a finance lease framework agreement (the "Finance Lease Framework Agreement") with GT-PRC on 1 December 2017, pursuant to which the Company and/or its subsidiaries shall provide finance lease services to GT-PRC and/or its associates. The Finance Lease Framework Agreement commenced from 1 January 2018 and expired on 31 December 2020 without renewal.

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

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

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

RENEWED FRAMEWORK AGREEMENTS

Property Lease Framework Agreement

The Company and GT-PRC entered into a property lease framework agreement on 1 December 2017 (the "2018 Property Lease Framework Agreement"). For the year ended 31 December 2020, the actual transaction amount did not exceed the annual cap under the 2018 Property Lease Framework Agreement.

To renew the 2018 Property Lease Framework Agreement, the Company entered into a property lease framework agreement (the "Property Lease Framework Agreement") with GT-PRC on 10 November 2020, pursuant to which the Company and/or its subsidiaries shall lease properties from GT-PRC and/or its associates for office and warehousing purposes. The Property Lease Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

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

For each of the three years ending 31 December 2021, 2022 and 2023, total annual rental payable by the Group to GT-PRC and/or its associates is not expected to exceed RMB10.0 million. The above proposed annual cap is based on the following factors: (i) the total property area leased by the Group from GT-PRC and its associates during historical periods; (ii) the unit rental stipulated in separate property lease agreements between the Group and GT-PRC or its associates, which is normally adjusted by GT-PRC and its associates on an annual basis with reference to the prevailing market conditions; and (iii) the estimated demand for office premises for daily operation of the Group.

Please refer to the announcements of the Company dated 1 December 2017 and 10 November 2020 relating to the 2018 Property Lease Framework Agreement and the Property Lease Framework Agreement, respectively.

Product Procurement Framework Agreement

The Company and GT-PRC entered into a product procurement framework agreement on 1 December 2017 (the "2018 Product Procurement Framework Agreement"). For the year ended 31 December 2020, the actual transaction amount did not exceed the annual cap under the 2018 Product Procurement Framework Agreement.

To renew the 2018 Product Procurement Framework Agreement, the Company entered into a product procurement framework agreement (the "Product Procurement Framework Agreement") with GT-PRC on 10 November 2020, pursuant to which the Company and/or its subsidiaries shall purchase relevant products and ancillary services from GT-PRC and/or its associates. The Product Procurement Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

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

For the three years ending 31 December 2021, 2022 and 2023, the total amount payable by the Group for product procurement from GT-PRC and/or its associates is not expected to exceed RMB12.0 million, RMB15.0 million and RMB18.0 million, respectively. The above proposed annual cap is based on the following factors: (i) the historical transaction amounts for the procurement of equipment and devices by the Company from GT-PRC and its associates; (ii) the development of the Group's clinical department upgrade services to help hospitals in the PRC establish, modernize and upgrade their clinical department capabilities in medical areas with high and growing demand, and the Group's growing supply chain business under hospital group business, all of which will result in the Group's growing demand for the procurement of medical equipment and devices and medical consumables and medicine; and (iii) the expected increase in the production or trade costs of relevant products with reference to the general growth trend in healthcare industry.

Please refer to the announcements of the Company dated 1 December 2017 and 10 November 2020 relating to the 2018 Product Procurement Framework Agreement and the Product Procurement Framework Agreement, respectively.

Deposit Service Framework Agreement

The Company and GT-PRC Finance entered into a deposit and intermediary business framework agreement on 1 December 2017 (the "Deposit and Intermediary Business Service Framework Agreement"). For the year ended 31 December 2020, the actual transaction amount under the Deposit and Intermediary Business Service Framework Agreement did not exceed the annual cap thereunder.

To renew certain transactions under the Deposit and Intermediary Business Service Framework Agreement, the Company entered into a deposit service framework agreement (the "Deposit Service Framework Agreement") with GT-PRC Finance on 10 November 2020, pursuant to which GT-PRC Finance shall provide deposit services to the Group. The Deposit Service Framework Agreement commenced from 1 January 2021 until 31 December 2023.

GT-PRC Finance is a non-bank financial institution approved and regulated by the PBOC and the CBIRC. Its objectives are to strengthen centralized management of corporate group funds and increase utilization efficiency. The Company uses GT-PRC Finance as a fund management platform to help centralize management and more efficiently allocate funds. Since GT-PRC Finance only provides financial services to member companies of GT-PRC, it has acquired in-depth knowledge about the Company over the years and good understanding on the capital structure, business operation, capital requirements and modes of cash flows of the Company, and is therefore able to anticipate the Company's business needs and provide customized services for the Company. Moreover, entering into the 2021 Deposit Service Framework Agreement will not prevent the Group from using financial services from independent commercial banks in China. The Group may still select at its own discretion independent commercial banks in China to act as its financial service provider as it deems fit and in the interest of the Group.

For the three years ending 31 December 2021, 2022 and 2023, the maximum daily deposit balance (including accrued interest) of the Group to be placed with GT-PRC Finance is not expected to exceed RMB400 million. The above proposed maximum daily deposit balance (including accrued interest) is determined by the Company with reference to (i) its new fund management and deposit plan with GT-PRC Finance and other independent commercial banks; (ii) the expected cash flows from the Group's business operation; and (iii) the expected cash flows from the Group's financing activities, including debt financing.

Please refer to the announcements of the Company dated 1 December 2017, 10 November 2020 and 31 December 2020 relating to the Deposit and Intermediary Business Service Framework Agreement and the Deposit Service Framework Agreement, respectively.

NEW FRAMEWORK AGREEMENTS

2021 Hospital Management Framework Agreement

On 10 November 2020, the Company entered into a hospital management framework agreement (the "2021 Hospital Management Framework Agreement") with GR-PRC, pursuant to which the Company and/or its subsidiaries will provide hospital management services to GT-PRC and/or its associates. The 2021 Hospital Management Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

The hospital group business is one of the principal activities of the Group. With extensive experience in healthcare industry, it is able to provide hospital management services to its customers. Associates of GT-PRC that operate hospitals would like to seek hospital management services from the Group from time to time in their ordinary course of business to support their business developments.

For the three years ending 31 December 2021, 2022 and 2023, the total amount of service fees to be paid by GT-PRC and/or its associates to the Group is not expected to exceed RMB20.0 million, RMB25.0 million and RMB30.0 million, respectively. The above proposed annual cap is based on the following factors: (i) the financial performance of the hospitals owned by the associates of GT-PRC for the three financial years ended 31 December 2019; (ii) a fixed percentage (approximately 10% subject to further negotiation in specific hospital management agreements) of annual revenue of such hospitals; and (iii) the expected annual revenue of such hospitals for the three financial years ending 31 December 2023.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the 2021 Hospital Management Framework Agreement.

2021 Medical Equipment Integrated Service Framework Agreement

On 10 November 2020, the Company entered into a medical equipment integrated service framework agreement (the "2021 Medical Equipment Integrated Service Framework Agreement") with GT-PRC, pursuant to which the Company and/or its subsidiaries will provide medical equipment maintenance and hosting services to GT-PRC and/or its associates. The 2021 Medical Equipment Integrated Service Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

The Company is an integrated healthcare services provider offering a variety of solutions, including maintenance and hosting services for medical equipment. In ordinary course of business of the Company, GT-PRC and its associates would like to cooperate with the Company in medical equipment maintenance and hosting from time to time, to reduce maintenance cost and maximize utilization rate of medical equipment.

For the three years ending 31 December 2021, 2022 and 2023, the total amount of service fees to be paid by GT-PRC and/or its associates to the Group is not expected to exceed RMB10.0 million, RMB30.0 million and RMB60.0 million, respectively. The above proposed annual cap is based on the following factors: (i) the expected demand for equipment maintenance and hosting services from GT-PRC and its associates in the future; (ii) the Company continues to expand its service scope pertaining to medical equipment maintenance and hosting services, which will broaden the service scope that the Group is able to provide to GT-PRC and its associates; and (iii) the estimated increase in the fees charged for these services due to inflation and the expected increase in costs.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the 2021 Medical Equipment Integrated Service Framework Agreement.

2021 Medical Testing Framework Agreement

On 10 November 2020, the Company entered into a medical testing framework agreement (the "2021 Medical Testing Framework Agreement") with GT-PRC, pursuant to which the Company and/or its subsidiaries will provide medical testing and technology services to GT-PRC and/or its associates. The 2021 Medical Testing Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

The Company is an integrated healthcare services provider offering a variety of solutions, including medical testing and technology services. In ordinary course of business of GT-PRC and its associates, they would like to cooperate with the Company in medical testing and technology services from time to time, in order to provide comprehensive medical services to patients.

For the three years ending 31 December 2021, 2022 and 2023, the total amount of service fees to be paid by GT-PRC and/or its associates to the Group is not expected to exceed RMB3.0 million, RMB20.0 million and RMB40.0 million, respectively. The above proposed annual cap is based on the following factors: (i) the expected demand for medical testing and technology services from GT-PRC and its associates in the future; and (ii) the Company continues to expand its service scope pertaining to medical testing and technology services, which will broaden the service scope that the Group is able to provide to GT-PRC and its associates.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the 2021 Medical Testing Framework Agreement.

2021 Construction Service Framework Agreement

On 10 November 2020, the Company entered into a construction service framework agreement (the "2021 Construction Service Framework Agreement") with GT-PRC, pursuant to which, subject to the tender process adopted by the Company and/or its subsidiaries from time to time and the results thereof, GT-PRC and/or its associates will provide construction services to the Company and/or its subsidiaries. The 2021 Construction Service Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

GT-PRC and/or its associates provide construction services in various cities in the PRC. The Company expects that GT-PRC and/or its associates would participate in competitive tender process for the Group's construction works in the PRC as construction contractor from time to time, and subject to the results and terms of the relevant tender, GT-PRC and/or its associates may provide construction services to the Group. Taking into account their experience in construction works, the entering into of the 2021 Construction Service Framework Agreement would provide the Group with a more diverse base of contractors to participate in the construction works of the Group, and if upon successful tender awarded to GT-PRC and/or its associates, could assure the quality of the construction works of the Group up to standards.

For the three years ending 31 December 2021, 2022 and 2023, the total contract amount under the potential construction service agreement(s) to be entered into between the Group and GT-PRC and/or its associates is not expected to exceed RMB600.0 million, RMB30.0 million and RMB30.0 million, respectively. The above proposed annual cap is based on the following factors: (i) the estimated total contract amount of potential new construction projects of the Group during the period commencing from 1 January 2020 and ending on 31 December 2023, with reference to the total investment amount of the Group's new construction projects for such period and the number of the Group's expected construction projects for such period; (ii) the estimated total contract amount of the Group's construction projects for which the Group expects GT-PRC or its associates would participate in competitive tender process from time to time taking into account of the numbers and size of the potential new construction projects of the Group; and (iii) the prevailing market prices of construction materials and the labor costs in the year of 2020 with reference to the inflation rate.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the 2021 Construction Service Framework Agreement.

CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Group entered into certain connected transactions which are subject to the requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for these connected transactions.

Restructuring and Capital Increase of a Subsidiary

On 31 August 2020, Hospital Investment Co., Ltd. entered into a restructuring agreement (the "Restructuring Agreement") with the New Minmetals Investors, the Existing Minmetals Investors, Minmetals Innovation Investment, CITIC Capital (Tianjin) and Genertec Minmetals Hospital Management (Beijing) Company Limited (通用五礦醫院管理(北京)有限公司) (the "Target Company"), pursuant to which the parties agreed to restructure certain medical institutions affiliated with China Minmetals Corporation (中國五礦集團有限公司) and further increase the capital of the Target Company. Subject to the terms and conditions under the Restructuring Agreement, Hospital Investment Co., Ltd., Minmetals Innovation Investment and CITIC Capital (Tianjin) will contribute RMB892.4 million, RMB97.0 million and RMB194.0 million in cash, respectively, and the New Minmetals Investors will contribute RMB756.6 million in kind by way of injecting the target assets into the Target Company.

As at the date of the Restructuring Agreement, (i) Minmetals Assets Management (one of the Existing Minmetals Investors), and CITIC Capital (Tianjin) respectively holds 13.41% and 10% equity interest in the Target Company (a subsidiary of the Company), and (ii) each of the New Minmetals Investors is a wholly-owned subsidiary of Minmetals Assets Management, thus each of Minmetals Assets Management, CITIC Capital (Tianjin) and the New Minmetals Investors is a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. Therefore, the Restructuring Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 1 September 2020 for further details.

Issue of Convertible Bonds

Considering (i) the experiences and resources that would be brought by CITIC Capital to the Group, as a long-term strategic investor of the Company; (ii) the new funding to be raised to support the Group's continuing growth and strategic development; and (iii) no immediate dilutive effect on the shareholdings of the existing Shareholders, on 29 December 2020, Genertec Universal Medical Development (BVI) Co., Ltd. (as the issuer and a wholly-owned subsidiary of the Company), the Company (as the guarantor) and CCP Leasing II Limited (as the subscriber and an associate of Mr. Zhang Yichen, a non-executive Director) entered into a subscription agreement (the "Subscription Agreement") in relation to, among others, the issue of the convertible bonds in an aggregate principal amount of US$150,000,000 (the "Convertible Bonds"). Pursuant to terms of the Convertible Bonds, the amount of interests should be calculated by applying the rate of interest of 2.0 per cent. per annum to the outstanding principal amount of such Convertible Bonds. The initial conversion price is HK$6.56 per conversion share, representing a premium of approximately 14.29% over the closing price of HK$5.74 per Share as quoted on the Stock Exchange on 29 December 2020, being the date of the Subscription Agreement.

Since the subscriber is an associate of Mr. Zhang Yichen and a connected person of the Company under Rule 14A.13(3) of the Listing Rules, the Subscription Agreement and the transaction contemplated thereunder constitute a connected transaction for the Company.

The issuance of the Convertible Bonds was completed on 25 March 2021. The Company intends to use the net proceeds from the issuance in accordance with the use of proceeds previously disclosed. Please refer to the announcements of the Company dated 29 December 2020 and 25 March 2021, and the circular of the Company dated 14 January 2021 for further details.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020, certain related parties entered into transactions with the Group which are disclosed in Note 34 "Related Party Transactions" to the consolidated financial statements of the Company. Save as disclosed in the section headed "Continuing Connected Transactions," the Board confirmed that none of these related party transactions constitutes a connected transaction or a continuing connected transaction that is subject to disclosure requirements under chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions disclosed in the section headed "Continuing Connected Transactions" have been reviewed by the independent non-executive Directors, who confirmed that the aforesaid continuing connected transactions were entered into:

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

(b) on normal commercial terms; and

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

CONFIRMATION OF THE OVERSEAS AUDITORS

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

(a) has not been approved by the Board;

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

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

(d) has exceeded the relevant annual caps for the financial year ended 31 December 2020.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Stock Exchange on 8 July 2015 and the over-allotment was completed on 5 August 2015. We received net proceeds (after deduction of underwriting commission and related costs and expenses) from the global offering of approximately RMB2,775.5 million. As at 31 December 2020, we have partially utilized such proceeds in accordance with the use of proceeds as disclosed in the Prospectus. Detailed information is set out under "Capital Expenditure" in the section headed "Management Discussion and Analysis" on pages 45 to 46 of this annual report.

AUDIT COMMITTEE

During the year, the Company had complied with Rule 3.21 of the Listing Rules, and it comprised three members, including Mr. Li Yinquan (chairman), Mr. Liu Xiaoping and Mr. Chow Siu Lui, among whom, Mr. Li Yinquan and Mr. Chow Siu Lui are independent non-executive Directors (including one independent non-executive director who possesses appropriate professional qualifications or expertise in accounting or relevant financial management).

The Audit Committee had discussed with the management and reviewed this annual report and the financial results of the Group for the year ended 31 December 2020.

The consolidated financial statements of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2020 have been audited by Ernst & Young, the overseas auditors of the Company.

DONATIONS

During the year ended 31 December 2020, the Group made charitable donations in the amount of RMB4.0 million.

AUDITORS

The Company re-appointed Ernst & Young as its overseas auditors in 2020. The Company has not changed the appointment of the auditor in the past three years. The proposal of re-appointing Ernst & Young as the auditor of the Company will be put forward at the Company's 2021 AGM for consideration and approval of the Shareholders.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2020, the Group is in compliance with the relevant laws and regulations that have a significant impact on the Group in all material respects.

THE PUBLICATION OF THE ANNUAL REPORT

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

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

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

On behalf of the Board

Peng Jiahong
Executive Director

Hong Kong
31 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report is the fifth environmental, social and governance (hereinafter referred to as the "ESG") report (hereinafter referred to as the "Report") issued by Genertec Universal Medical Group Company Limited (hereinafter referred to as the "Company" or "Universal Medical"). The purpose of this report is to report the concept of environmental and social responsibility and the sustainability practices of the Company and its subsidiaries (hereinafter referred to as the "Group" or "We") in 2020, as well as to respond to the material issues concerned by our key stakeholders. For more information on corporate governance of the Group, please refer to the "Corporate Governance Report" section in this annual report.

BASIS OF PREPARATION

The report is prepared by the Group in accordance with the materiality, quantitative, balance and consistency principles of Appendix 27 *Environmental, Social and Governance Reporting Guides* (the "ESG Guide") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited (the "SEHK"). This report complies with the "comply or explain" provisions of the ESG Guide, and correspondingly describes the environmental and social impacts of the Group's business and operational activities.

REPORTING SCOPE AND PERIOD

- Reporting Scope: This report covers hospital group business and finance and advisory business of the Group

  ➢ Hospital group business covered seven hospitals of the Group, including five hospitals as stated in the report for the previous year (Xi'an XD Group Hospital, Xianyang Caihong Hospital, Universal CREC (Xi'an) Hospital, Yantai Port Hospital Co., Ltd. and Ansteel Group Hospital) and two hospitals newly added in this year (Yangquan Coal Industry (Group) General Hospital and Genertec Universal Xi'an Aero-Engine Hospital (通用環球西安西航醫院));

  ➢ Finance and advisory business covered the main office premises of the Group's headquarters in Beijing, including Zhongyi Building, West Wing of Sichuan Building and Haijing Building as stated in the report for the previous year, and Hademen Plaza*, Dongcheng District, Beijing newly added;

  ➢ To enhance the completeness of the report, some of its contents may appropriately be traced forward to two completed business sections mentioned above;

---

* Since 11 August 2020, the Company has all moved into Hademen Plaza, Dongcheng District, Beijing for office. Meanwhile, we continued to rent West Wing of Sichuan Building and Zhongyi Building, and the office at Haijing Building has been suspended.

- Time Scope: The time scope of this report is from 1 January 2020 to 31 December 2020 (hereinafter referred to as "this year");

- Release Cycle: This report is published simultaneously with the annual report. The last report was released in April 2020.

RESPONSIBILITY OF DIRECTORS

The Group's Board of Directors is responsible for formulating the ESG strategy, identifying the ESG related issues and risks of the Group as well as establishing an appropriate and effective ESG risk management and internal control system through establishing the daily communication mechanism with stakeholders. This report allows us to share the social responsibility practices and achievements of the Group, and we hope that the community will give support and encouragement.

READERS FEEDBACK

We attach great importance to your views on this report. If you have any inquiries or valuable comments on this report, welcome to contact us through the following ways:

Email: jianyijiandu@126.com

1 PROMOTING STAKEHOLDER COMMUNICATION AND IMPROVING RESPONSIBILITY MANAGEMENT

The Group has focused on developing diversified medical and healthcare industry as a leading stated-owned enterprise. Leveraging on modern management concepts, a team of professionals, quality medical resources, strong financial capacity as well as inclusive and enterprising corporate culture, we strive to build a trustworthy medical and health conglomerate. We have been actively exploring innovative development model of the medical and healthcare industry, gradually establishing a various health-related business of health industry ecosphere, and striving to promote the flourish development of the medical and health sector as a whole.

1.1 Enterprise Culture

Group's Mission

- To safeguard health and wellness through quality healthcare

Group's Vision

- To be a healthcare conglomerate that patients/clients trust and employees are proud of

Group's Values

- Compassion, integrity, excellence, self-motivation, open-mindedness and collaboration

1.2 Strengthening Responsibility Management

The Group has always taken "Contributing to the Continuous Progress of Human Health" as the responsibility of the enterprise, actively fulfills the responsibilities in industry, for employee and the environment and the society, and promote social progress and human health conditions.

In order to strengthen the effective management of safe production, environment protection and other ESG works of the Company and fully implement the corporate social responsibility, we have set up an environment, health and safe (hereinafter referred to as the "EHS") committee (hereinafter referred to "EHS Committee") consisted of the general manager of the Company and heads of each department, and EHS office under the EHS Committee will perform a specific daily work, its main functions are as follows, including but not limited to:

- establishing and improving the Company's EHS management system;
- organizing and carrying out EHS risk classification control and hidden danger investigation and treatment of the Company;
- establishing and maintaining the Company's emergency management system to assist the Company in emergency management;
- organizing and carrying out the Company's EHS educational training and EHS culture activities;
- inspecting the Company's EHS related department irregularly to ensure the effective implementation of the responsibility system.

1.3 Stakeholder Communication

The Group understands that stakeholder communication is an important part of the practice of corporate social responsibility, so we strive to establish a daily communication mechanism with key stakeholders such as shareholders and investors, clients, employees, government and regulatory authorities, partners, communities and the public. The Group keeps full communication with stakeholders through diversified communication channels to understand their evaluation and expectations of the Group's sustainable development, so as to assist the Group to more objectively examine the deficiencies in the relevant work, and accordingly give targeted responses and improve the work, and continuously improve the sustainable development of the Group.

Step 1: Identify key stakeholders and establish a daily communication mechanism

Key Stakeholders	Issues of Concern	Communication Channels	Response Pattern
Shareholders/ Investors	❖ Corporate governance and operating strategies ❖ Corporate development prospects ❖ Returns on investment ❖ Timeliness and transparency of information disclosure ❖ Corporate compliance	– General meetings – Results presentations – Financial reports – Road show – Telephone & email consultation	– Issue notices and proposals of general meetings according to the regulations – Disclose information on schedule – Disclose announcements and release periodic reports according to regulations – Handle comments and demands
Clients	❖ Service quality ❖ Client information security ❖ The value of service	– Customer research – After-sale service and complaints – Regular visits – Suggestion and supervision emails	– Conduct customer surveys – Enhance service management – Handle complaints and other after-sale problems timely
Employees	❖ Remuneration package ❖ Training and development ❖ Working environment ❖ Corporate operation	– Labor union – Employee training – Employee activities – Staff meetings	– Establish a fair remuneration and promotion system – Organize occupational training and various activities for employees – Provide a healthy and safe working environment

Key Stakeholders	Issues of Concern	Communication Channels	Response Pattern
Government and regulators	❖ Pay taxes according to law ❖ Timeliness and standardization of information disclosure ❖ Corporate governance ❖ Resource conservation	– Institution investigation – Report on the work – Information disclosure	– Abide by laws and regulations strictly – True and accurate information disclosure – Legitimate operation – Routine governmental and regulatory inspection
Partners (Suppliers, Distributors, etc.)	❖ Fulfillment of contract obligations on schedule ❖ Long-term stable cooperation ❖ Corporate reputation ❖ Corporate operating strategies ❖ Sustainable operation ability ❖ Timeliness of information disclosure ❖ Corporate compliance	– Trade fairs – Daily communication – Results presentations – Financial reports – Distributor conferences	– Fulfillment of contract obligations – Sustain long-term partnership with outstanding suppliers – Disclose corporate information on schedule – Disclose announcements and release periodic reports according to regulations – Create effective communication channels
Community and the public	❖ Social welfare ❖ Environmental protection ❖ Business ethics	– Community/public service activities – Suggestion/supervision emails and telephones	– Hold community service and academic exchange activities – Create communication channels for suggestion and supervision

We have been thinking highly of the investor relations management. On the one hand, we clearly understand the needs of investors, grasp the market trends and hot topics and timely convey to the Group's management to give investors quick feedback; On the other hand, we also enhance the exposure and recognition of the Group in the capital market through frequent and effective communication. During the year, we conducted investor relations management by insisting on simultaneous performance roadshows at home and abroad, valuing the daily communication with investors, and adopting various effective methods such as on-site investigation, Management Reception Day, online interaction and participation in investment forums.

In October 2020, Universal Medical invited investors to participate in the research activities of its hospitals, visited Xi'an XD Group Hospital and Xianyang Caihong Hospital and inspected the medical devices.

Step 2: Review and verify the concerned issues

Based on the ESG Guide of the SEHK and made reference to the material issues of peer companies, we evaluate and examine the issues of interest to stakeholders, and finally identify and confirm the important ESG issues that are more relevant to the Group's business. Such issues will be disclosed in detail in the subsequent sections of this report.

In the future, we will continue to explore different means of communication to further deepen and consolidate the communication with the stakeholders, so as to better understand stakeholders' views on our sustainable development work and improve the management of important issues.

1.4 Honor Awards

In this year, the excellent medical services provided by the hospitals of the Group received multiple national awards. Xi'an XD Group Hospital and Yantai Port Hospital were awarded the title of "Model Hospitals for Improving Medical Services in 2020 (2020年度改善醫療服務示範醫院)". In addition, when the COVID-19 epidemic broke out globally in 2020, the staff of the Group's hospitals stuck to their posts during the epidemic and spared no effort to carry out epidemic prevention and control. Numbers of units and individuals were awarded at the commendation conference (report meeting on model deeds) on central owned enterprises' efforts to fight against the COVID-19 epidemic.

On 8 September 2020, the meeting to commend role models in China's fight against the COVID-19 epidemic was held at the Great Hall of the People in Beijing. Doctor Zhang Weining, an associate chief thoracic surgeon (Department of Critical Care Medicine) from XD Group Hospital of the Group was presented a medal as "Outstanding Individual to Fight against Epidemic".

In October 2020, the commendation conference (report meeting on model deeds) on central owned enterprises' efforts to fight against the COVID-19 epidemic was convened by the Party Committee of State-owned Assets Supervision and Administration Commission of the State Council (SASAC) in Beijing. Jin Yu, head nurse of thoracic surgery of Ansteel Group Hospital of the Group was awarded "Outstanding Individual of SASAC Central Owned Companies" and "Outstanding CPC Member."

2 PROMOTING INDUSTRIAL DEVELOPMENT WITH CUSTOMER-ORIENTED STRATEGY

Over the years, the Group has been actively implementing the "Healthy China" strategy, with the goal of serving the people's livelihood and assisting the development of China's medical industry. We strive for the simultaneous development of three business sectors, namely finance and advisory, healthcare services and health industry chain, and promote the efficient combination and complementarity of the three so as to build a health-related industry ecosystem of Universal Medical. In the future, we will continue to steadily grow the Group's medical and healthcare undertakings on the track of healthy development in the long run and make greater contributions to the health and well-being of the people and the long-term development of China's medical industry.

2.1 Development Strategy

As a leading state-owned healthcare conglomerate, we always keep in mind the mission and responsibilities of central enterprises, and promote the reform and development of central enterprise hospitals. The Group adheres to the philosophy of whole industry chain and whole life cycle, and with medical services as the core and financial services as the foundation, strives to build a shared and win-win health industry ecosystem to help the quality development of China's medical and health industry.

To carry on the outstanding achievements in previous industrial development, we actively seized business opportunities, conducted close discussions with several state-owned groups and their quality hospitals to actively participate in the integration and takeover of their medical institutions through formation of joint ventures and open market bidding. In this year, our works on integration and takeover of medical institutions are as follows:

Medical institutions acquired	38
Grade III Class A hospitals	3
Grade II hospitals	16
Operating capacity of beds in total	9,699
Number of outpatient visits	3.913 million
Number of inpatient visits	0.213 million

In this year, the highlights of the Group's industrial development are as follows:

On 20 May 2020, Universal Medical and China Coal No. 1 Construction Company Limited ("CCFCC", 中煤第一建設有限公司) signed a cooperation agreement. The two parties will establish a hospital management company and set up CCFCC Lingbei Staff Hospital (中煤一公司嶺北職工醫院) and CCFCC Staff Hospital (中煤第一建設有限公司職工醫院) under this company. In the future, the two hospitals will strengthen the regional medical system of Universal Medical in Hebei, interconnect with other hospitals in the region, give full play to the function of regional medical services, and provide better and comprehensive medical and health services to neighboring communities.

On 7 June 2020, Universal Medical signed a cooperation agreement with the National Clinical Research Center for Digestive Diseases ("NCRC-DD", 國家消化系統疾病臨床醫學研究中心). NCRC-DD will launch "Friendship Digestive through Train" and "Hand in Hand Training" projects for Universal Medical hospitals to bring a comprehensive rise in research, diagnosis and treatment and build a homogenized diagnosis and treatment platform of digestive diseases within the Group's ecosystem, and establish a complete and quality discipline development system within hospitals.

On 22 August 2020, the working conference on culture and strategy of the Group was held in Beijing. Ms. Peng Jiahong, Chief Executive Officer of Universal Medical, released the mission, vision and values of the Group, and at the same time clarified the overall development strategy of the three business sectors in the future, namely finance and advisory, medical services and health industry chain. Universal Medical will continue to uphold the philosophy of whole industry chain and whole life cycle, with medical services as the core and financial services as the support, to build a shared and win-win health industry ecosystem.

On 25 November 2020, the Group and the Department of Life Sciences and Medicine of the University of Science and Technology of China signed a memorandum of strategic cooperation to implement the "Healthy China" strategy through the innovative exploration of the cooperation between central enterprises and universities. The two parties adhere to the concept of "integration of medicine and education, and of production and research", and have reached strategic cooperation intentions in many aspects such as joint training of talents, integrated development of medicine, education, industry and research, and resource sharing in the healthcare industry, so as to join hands to contribute to the development of China's health industry.

2.2 Quality Control

The Group firmly believes that the quality of products and services is the cornerstone of promoting the sustainable development of medical institutions, so we have been committed to providing customers with quality services. Our customer base mainly covers patients, hospitals and other public institutions, as well as medical equipment suppliers who act as our exclusive sales agents and provide us with equipment introduction services.

In order to standardize medical practice in hospitals and reduce medical risks, the Group has formulated relevant operating regulations and measures for different aspects of quality management to ensure the quality and safety of medical products and services. In accordance with the basic requirements of China's 18 core medical systems, we have refined and formulated the *Amendment Principles Regarding 18 Regulations on the Core System for Medical Quality and Safety (Trial)* (《十八項醫療質量安全核心制度規範(試行)修改原則》) and supplemented rules to relevant systems so as to guide and facilitate hospitals to implement quality and safety related training. In addition, we formulated the *Medical Safety (Adverse) Event Handling Norms* (《醫療安全(不良)事件處置規範》) and the *Action Plan for Improving Medical Safety (Adverse) Event Handling* (《醫療安全(不良)事件處置提升行動方案》) to strictly regulate the handling process and methods of adverse events in hospitals with an aim to minimize the impact of such events. We provided quality management staff with training on quality management tools to improve their ability in using such tools so that the quality management work in hospitals could be carried out more effectively. At the same time, we are actively building the structure of the quality management committee for hospitals, and standardize the implementation of the functions of the quality management committee and related work through the formulation of the *Notice on the Establishment of the Hospital Quality and Patient Safety Management Committee and the Reporting of the Information on Hospital Quality Department and Personnel* (《關於成立醫院質量與患者安全管理委員會及上報醫院質量主責部門及人員信息的通知》) and the *Management Measures for Hospital Quality and Patient Safety Management Organization Construction* (《醫院質量與患者安全管理組織建設管理辦法》).

During the year, the headquarters of the Group did not have any sold or shipped products that had to be recalled for safety and health concerns, nor received any complaints about products and services.

2.3 Compliance Operation

While continuously pursuing industrial development, the Group also emphasizes product responsibility and adheres to compliance operations. In this year, we have observed the *Trademark Law of the People's Republic of China*, the *Measures for the Administration of Medical Advertisements*, the *Patent Law of the People's Republic of China*, the *Regulations on the Implementation of the Trademark Law of the People's Republic of China*, and the *Rules for Implementation of the Patent Law of the People's Republic of China* and other laws and regulations regarding marketing, to ensure that the use of advertising and labels of the Group would not mislead customers.

The Group attaches great importance to protecting customer privacy. In this year, we complied with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests and Several Provisions on Prohibiting Infringements upon Trade Secrets* and other relevant provisions. To ensure the security and confidentiality of the Group's important information, the Group has complied with the *Cybersecurity Law of the People's Republic of China* and the *Basic Requirements for Network Security Graded Protection Regarding Information Security Technology* to protect key information systems, and has also formulated the *Measures for Central Computer Room*, the *Intranet Access Management Measures of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司集團內部局域網內網準入管理辦法》), and the *Network Management Measures of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司網絡管理辦法》) to regulate employees to strictly follow the measures to manage the daily operation and information security and confidentiality of the central computer room, as a way to protect customer privacy and information security. In this year, we constantly promoted the integration and takeover of medical institutions. As the hospitals are merged at different times, we are investigating each hospital, and after grasping the operation and management of each hospital, we will put forward targeted suggestions to build a group management system.

2.4 Responsible Procurement

The Group firmly believes that supply chain management is essential to promoting the sustainable development of the Company. Therefore, we strive to maintain stable and sound strategic partnerships with excellent suppliers through the establishment and implementation of a supply chain management system. The Group's suppliers are mainly suppliers that provide medicines, medical consumables and medical devices for the Group and financial institutions that provide loan financing and other forms of financing, as well as suppliers that provide legal, consulting, auditing services, and hardware or software suppliers. Given the broad scope of business both at home and abroad, we will choose in accordance with local laws and regulations qualified, legitimate, well-performing suppliers which are committed to fulfilling social and environmental responsibilities.

In order to improve and standardize the Group's procurement mechanism and reduce procurement risks, we have formulated *Measures for Medicine Supply Chain Management (Trial)*, *Measures for Medical Equipment Purchasing Management (Trial)*, and *Regulations and Implementation Rules for Medical Equipment Procurement* (《醫用設備採購規定及實施細則》) in strict accordance with the *Law on the Administration of Pharmaceuticals of the People's Republic of China, Implementation Provisions on the Administration of Pharmaceuticals of the People's Republic of China, Administrative Provisions on Administration and Supervision of Medical Devices* and other regulations to regulate the purchasing management of drugs and medical equipment of our medical institutions. Regarding the procurement of medicine supply chain, we must take into account environmental and social risks and other factors to guarantee the brand image, medical quality, medicine quality and normal diagnosis and treatment services of the Group's medical institutions.

In addition, we also formulated the *Measures for Centralized Purchasing Management* and *Measures for Centralized Purchasing Management of Construction Projects* to further standardize procurement procedures. The *Measures for Centralized Purchasing Management* clarifies the centralized procurement principle of "transparency, fairness, justice, competition, and efficiency", and stipulates in detail the duties of relevant procurement management departments, the scope, methods and procedures of centralized procurement and supplier management. The Group's headquarters has set up a team for centralized procurement, which is composed of persons in charge of procurement-related management departments such as office of general manager, financial management department and legal department. The office of general manager is responsible for organizing procurement evaluations. After determining the bid evaluation criteria with the centralized procurement team, the centralized procurement team conducts comprehensive evaluation by scoring or voting, and the supplier with the highest score or the most votes is selected. The basic conditions of the candidate suppliers include a good business reputation, corresponding financial strength, professional skills and experience and capabilities, and no record of major violations of social and environmental laws in the past three years. The centralized procurement team evaluates suppliers annually, learns the specific contract performance of suppliers from the project implementation department, and issues score sheets to evaluate the quality of products or services provided by suppliers, delivery effectiveness, response speed, and after-sales service, technical support and other indicators, and finally, based on the evaluation results and actual needs, it is decided to continue to engage or fire the supplier. The above supplier management practices are only applicable to software and hardware suppliers who provide office supplies for the Group, and suppliers who provide legal, consulting, and auditing services.

In this year, the number of suppliers at the headquarters of the Group (by the region where the headquarters is located) is as follows:

The number of suppliers in the supplier database by the region where the headquarters is located in 2020					
Beijing	156	Shandong	5	Tibet Autonomous Region	1
Tianjin	10	Henan	3	HKSAR	22
Shanghai	20	Hubei	1	Macao SAR	2
Hebei	7	Hunan	2	Germany	2
Liaoning	2	Guangdong	15	Turkey	1
Jilin	1	Hainan	1	Italy	1
Heilongjiang	3	Sichuan	2	Austria	1
Jiangsu	7	Yunnan	1	Brazil	1
Zhejiang	8	Shaanxi	4	Japan	1
Anhui	1	Gansu	2	America	4
Fujian	3	Taiwan	2	British Virgin Islands	1

2.5 Integrity Management

The Group has always attached great importance to clean operation, implemented various regulations on integrity and self-discipline, and striven to promote the establishment of a corporate culture of integrity. In this year, we complied with the *Criminal Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, the *Supervision Law of the People's Republic of China*, the *Law on Administrative Discipline for Public Officials of the People's Republic of China* and other laws and regulations on corruption, bribery, extortion, fraud and money laundering, and through strengthening the daily publicity and warning education of relevant laws and regulations, ensured that employees did not violate the law, as a way to maintain the reputation of the Group and the confidence of investors in the Group. In this year, we did not receive any corruption lawsuits.

The Group actively promoted the construction of an anti-corruption mechanism and formulated the *Coordination Working Mechanism on Improving Party Conduct*, *Building Clean Government and Combating Corruption*. We continued to improve the effectiveness of supervision and extensively collect clues to problems by means of on-site investigations, telephone interviews, and on-site inspections. In addition, the Group fully performed the responsibility for integrity building by signing the annual *Responsibility Letter of Party Building Target* (《黨建工作目標責任書》).

The *Notice on Further Unblocked the Reporting Complaints Channel* (《關於進一步暢通舉報投訴渠道的通知》) issued by the Group further clarified the scope and channel for reporting and complaints to encourage informers to make real-name reports through letters, telephone calls or emails to ensure the authenticity of the reported information and accuracy of evidences. We strictly kept confidential the information of informers to protect their right to report and give full play to the supervisory role of employees and the masses.

In this year, the Group organized various anti-corruption activities to strengthen the sense of integrity of employees. We held 12 "Monthly Integrity" activities, released three self-made videos named "Fancy Integrity" on integrity education on enterprise WeChat, and also provided integrity education and training for new recruits.

3 RECRUITING TALENTS AND STRENGTHENING EMPLOYEE TRAINING

3.1 Employee Rights

Protecting the rights and interests of employees is the primary task in employee management. By formulating and implementing a series of employment policies and systems that comply with laws and regulations, the Group effectively regulates corporate employment management and creates an equal and diversified development platform for employees.

Recruitment and dismissal

The Group has strictly complied with the *Labor Law of the People's Republic of China* (hereinafter referred to as the "Labor Law"), the *Labor Contract Law of the People's Republic of China* (hereinafter referred to as the "Labor Contract Law"), and the *Implementation Regulations of the Labor Contract Law of the People's Republic of China* and other employment-related laws and regulations to regulate employment as a way to protect the legitimate rights and interests of employees and avoid unnecessary labor disputes. In this year, no violation of relevant national laws and regulations was reported.

The Group has formulated and updated the *Administrative Measures for Employee Recruitment*, the *Administrative Measures for the Introduction of Senior and Mid-level Talents* (《中高級人才引進管理辦法》), the *Administrative Measures for Labor Contract* and other relevant policy documents of the internal recruitment system in accordance with the above laws and regulations to effectively regulate employment management. Among them, the *Administrative Measures for Labor Contract* stipulates that the conclusion of labor contracts should follow the principles of equality, voluntariness, and negotiations for consensus. In addition, we strictly conform to standard procedures in plan formulation, recruitment standard setting, interviews, written tests, appointments, probation feedback and staff assessment, assuring procedural justice and rigorous management.

In addition to the above-mentioned laws and regulations, we also strictly abide by the *Criminal Law of the People's Republic of China*, the *Law on the Protection of Minors of the People's Republic of China* and *Prohibition of Child Labor* to eliminate child labor and forced labor. New employees are required to provide actual and valid identity documents, family registers and certificates of social security payment for verification, so that we can verify their identity and avoid hiring child labor. We will not hire any candidate who provides false information. The above measures ensure that the Group will not recruit child labor and forced labor.

We deal with the termination of the contract or the dismissal of employees in accordance with the provisions of the Labor Contract Law and the procedures stipulated in the *Administrative Measures for Employee Resignation* (《員工離職管理辦法》) to protect the legitimate rights and interests of employees and reduce disputes between workers and management.

Remuneration and promotion

In the year, the Group strictly complied with Labor Contract Law and relevant local laws and regulations in determining wages of employees, and formulated the *Measures for Remuneration and Performance Management* (《薪酬績效管理辦法》) and the *Leaders Management Measures* (《幹部管理辦法》), which clarified the principles of remuneration and performance management, and conditions and procedures for selection and assessment of middle-level leaders. The Group is committed to ensuring that all operations such as employee compensation and promotion meet the requirements of the system and procedures, and play the role of guiding and motivating employees to promote the quality development of the Group.

Working hours, leave, remuneration and welfare

The Group is committed to safeguarding employees' rights to rest and annual leave. In this year, the Group complied with the Labor Contract Law, the *Regulations on Paid Annual Leave for Employees* and other local relevant regulations, and formulated the *Administrative Measures for Employees Attendance* and the *Administrative Measures for Paid Annual Leave of Employees* based on actual conditions to regulate the management of working hours and leave applications of employees, including application conditions, procedures, and corresponding salary regulations, and clarify the related rights and responsibilities of employees. In addition to annual leave, employees also legally enjoy sick leave, personal leave, marriage leave, funeral leave, etc.

As a caring employer, we provide employees with a series of benefits. We pay social insurances and housing provident fund for all types of employees in strict compliance with the Labor Contract Law, the *Payment of Wages Tentative Provisions, the Regulations on Management of Housing Provident Fund* and other relevant regulations. Meanwhile, based on the statutory welfare benefits, the Group established a comprehensive welfare system to provide enterprise annuities, supplementary medical insurance, personal accident insurance for qualified employees as a way to guarantee their life and enhance their sense of belonging to the Group. In addition, we also actively organized various cultural and sports activities for employees to relieve their physical and mental stress, enhance team emotional communication, and improve their life quality.

On 31 December 2020, Universal Medical held a bazaar of love activity on the New Year's Day. All the transaction amount was donated to "Xinyan Charity Fund (新燕公益基金)" of Universal Medical to improve the medical services in remote and impoverished areas.

Equal opportunity, diversity and anti-discrimination

The Group is committed to providing employees with an equal and diverse working environment. We provide equal employment opportunities for people of different genders, classes, religions, races, etc., and offer jobs for veterans to form a diversified talent team. In addition, as our business spreads all over China, we not only introduce talents from a variety of places and nationalities of China, but also encourage internal exchange and communication to foster cultural cohesion within the Group.

In this year, the number of employees at the headquarters of the Group by gender, employment type and age group is as follows:

Types of Employees		Number of employees
Gender	Male	412
	Female	280
Employment type	Full-time	671
	Part-time	21
Age group	Age < 30	203
	Age 30-50	462
	Age > 50	27

3.2 Employee Safety

We always attach great importance to the occupational health and safety of our employees. In this year, the Group strictly complied with the *Law on Production Safety of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China*, the *Law on Prevention and Control of Occupational Disease of the People's Republic of China*, the *Regulations on Worker's Compensation Insurance* and the *Regulations on Public Health Emergencies*, the *Regulations on the Safety and Management of Hazardous Chemicals* and other various national laws and regulations. At the same time, we have formulated internal management guidelines such as the *Management Measures for Work Safety in Construction Projects* (《建設工程安全生產管理辦法》) and *Management Measures for Infrastructure Equipment (Inspection) (Trial)* (《基礎設施設備(巡檢)管理辦法(試行)》) to standardize the supervision and management of the Company's safe production. In this year, the Group had no case of work-related injury or fatalities.

Discharging the responsibility for safety production

To be fully responsible for the Company's safety production and promote the sustainable development of the Company, we have established an EHS committee responsible for decision-making and deployment of the Company's work on safety production. Meanwhile, based on the actual situation of each unit of the Company and each department of the headquarters, we have comprehensively revised and signed a responsibility letter for the target of safety production with each operating unit to clarify its responsibilities in safety production management system, and gradually achieve the target of safety production.

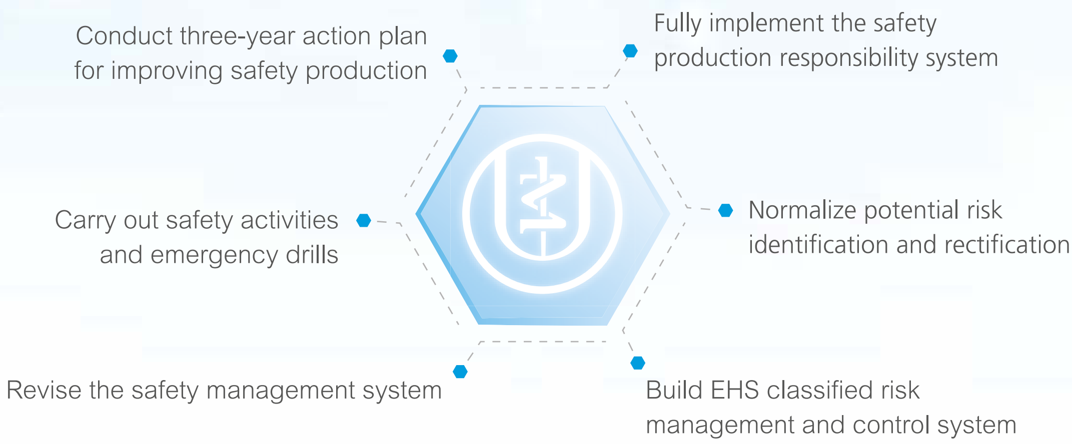
Classified risk control

To strengthen the source control and prevention of hidden danger, the Company has formulated and comprehensively promoted the classified risk management and control, including risk identification, risk classification, formulation of management and control measures, responsibility classification, and determination of responsible persons. In this year, the Company completed the sorting and evaluation of EHS risk list, with over ten types of risks being identified, including fire safety, electricity safety, hazardous chemicals management, oxygen station and gas cylinder room management, and special equipment management, to build the classified risk management and control system of the Company.

Potential risk identification of safety production

It is an important part of the safety production management to identify potential risk on a regular basis. All our hospitals have set up safety inspection leading teams in accordance with the work deployment, which are responsible for implementing the potential risk identification and putting forward rectification suggestions. The Group has successively initiated three rounds of unannounced inspections, and prepared safety checklists based on the actual operation of each hospital before the inspections. After the inspections, the Group prepared identification reports and rectification suggestions for potential risks, and urged all hospitals to discharge the main responsibilities for the Company's safety production. All relevant hospitals submitted feedback reports on the rectification on a regular basis, and the significant results were achieved on such inspections and rectifications.

In this year, key achievements in safety production of the Company are as follows:



Occupational health and safety activities

In addition to actively advancing the management of safety production, we also held a series of activities to promote the protection of employees' occupational health and safety in this year, including the promotional week of the law on prevention and control of occupational disease, safety production month, fire safety training, etc., to further enhance employees' awareness of occupational disease prevention and safety in production.

"Safety Production Month" Event

In June 2020, Universal Medical launched the "Safety Production Month" activity with the theme of "eliminating potential risks of accidents and strengthening the safety defense". The safety production enthusiasm and safety awareness of employees at different levels were improved through publicity and education, special lectures, safety knowledge contests, emergency drills and other form of activities, which have laid a solid foundation for the three-year action plan for improving safety production in the future.

Promotional Week of Law on Prevention and Control of Occupational Disease

In April 2020, Universal Medical launched the promotional week activities about the law on prevention and control of occupational disease in 2020 with the theme of "Occupational Health Protection · My Action". We instilled knowledge of occupational disease prevention and control to employees through displaying promotional videos on multimedia platform, banners, posters and slogans, issuing occupational health-related promotional manuals to employees, themed training and assessment so as to effectively protect employees' rights and interests in respect of occupational health.

Fire Safety Development and Knowledge Training

3.3 Talents Cultivation

The Group has always adhered to the concept of "people-oriented, talents come first" and actively encourages employees to continue to learn and improve themselves as a way to realize the value of talents. As an employer that values the personal development of employees, we have established and continuously improved the Group's training system to provide targeted training for employees at different levels and types in various forms such as face-to-face instruction, outward bounds, online learning platforms, and academic exchanges.

To improve the training of all staff with regards to professional skills and comprehensive quality, we have formulated the *Measures for Employee Training*, which clearly specifies the principles to be followed in the training, and standardizes the management model and department responsibilities for different training categories and training objects, as well as the management of training assessment, discipline and other links to ensure that the personal quality of all employees will be improved after participating in relevant training.

In this year, the Group organized and held a series of general and medical training. The general education training organized by the headquarters of the Group was mainly to enhance the professional and management capabilities of employees, including financial training courses, management training courses, training for new employees through school recruitment, customized training for the needs of various departments, etc. In addition, the Group also organized seminars on understanding and implementing corporate culture with its hospitals to jointly develop the culture of the Group. Medical training organized by the headquarters of the Group and attended by its hospitals is as follows:

Medical Operation Management Department

- Training on quality, medical insurance, hospital operation

Hospital Clinical Development Department

- Cardiology seminar and cardiovascular training center unveiling ceremony, physical examination center development seminar, dental operation management training seminar, etc.

Stroke and Rehabilitation Technical Cooperation Department

- Holistic rehabilitation training courses, appropriate technical training for stroke prevention, etc.

Medical Humanities Service Management Department

- "Convoy Plan" Nursing Training Activities

Good Clinical Practice (GCP) Training Course

In August 2020, the Group carried out the "2020 Phase I and Phase II GCP Training Course" at the Beijing headquarters. A total of more than 70 people participated in the training, including some hospital leaders from Pangang Group General Hospital, Ansteel Group General Hospital, Xi'an XD Group Hospital and General Hospital of Yang Quan Coal Industry (Group) Co., Ltd., as well as the main persons in charge of the clinical trial professional team. The training courses closely followed the Group's development strategy and strove to promote the implementation and development of the clinical trial undertakings in the Group. The content of the course covered the relevant laws and regulations of clinical trials, the project management of clinical trials by clinical trial institutions, and how to protect the rights and interests of subjects in clinical trials. The trainees actively interacted with experts about the problems they encountered in practice. The learning atmosphere was strong.

Seminar on Development of Physical Examination Center

In September 2020, the Group held a seminar on the development of physical examination centers at the Beijing headquarters. A total of 16 persons attended the meeting including directors and key personnel from physical examination centers and related departments of eight medical institutions. The seminar invited a group of health management experts to share the topic of "standards and norms for quality control of health physical examination". The seminar also arranged visits to different types of excellent physical examination institutions in China, and conducted in-depth discussions and exchanges with colleagues from various visiting institutions, which provided development ideas for the construction of physical examination centers in our hospitals and assisted the standardized construction of these centers.

"Convoy Plan (護航計劃)" Nursing Management Training Course

From 24 to 29 August 2020, the first phase of the "Convoy Plan" nursing management training course of Universal Medical officially started. Peng Jiahong, the general manager of the Group, and Feng Qingming, chief medical officer, and others attended the event. There were 24 nursing staff from 10 hospitals including Yangmei General Hospital, Pangang Group General Hospital, Xi'an XD Group Hospital and Yantai Port Hospital. This training was aimed to establish a nursing collaborative development platform, stimulate the potential of the nursing team, and improve the overall nursing management of the Group's hospitals. The training content covered the construction of vertical nursing management system, nursing quality and safety management, and nursing professional quality training. As the first batch of beneficiaries of the plan, the trainees will implement the new concept of "taking the management needs of the nursing department as the guidance and the job competence as the core" into the nursing management of the hospitals.

In this year, the specific percentage of employees trained in general training at the headquarters of the Group and the average training hours are shown in the following table:

Types of Employees		Percentage of Employees Trained[2]	Average Hours of Training Received per Employee (hours)[3]
Gender	Male	55.08%	35
	Female	44.92%	22
Employee category	Senior	1.37%	37
	Middle	5.86%	43
	Junior	92.77%	28

1 The calculation method of the employee training percentage is: the number of trained employees of the category/total number of trained employees

2 The calculation method of the average training hours of each employee is: the total training hours of employees of the category/the total number of employees of the category

4 CARING FOR THE ENVIRONMENT AND PRACTICING GREEN OPERATION

While actively developing various businesses, the Group keeps fulfilling its environmental protection responsibilities and practices green operations. The main impacts of our operations on the environment and natural resources include pollutants and greenhouse gas emissions from the use of vehicles and electricity, energy consumption, and medical and office waste. We are committed to reducing related environmental pollution by implementing a series of green office measures and environmental protection publicity, so as to achieve the harmonious and sustainable development of the enterprise and the ecological environment.

4.1 Green Office

The Group advocates the concept of green office, and is committed to implementing measures related to energy conservation, emission reduction and environmental protection to promote the sustainable development of the Group. In this year, the Group strictly complied with the *Environmental Protection Law of the People's Republic of China,* the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》), the *Control Regulations on Medical Waste* and other laws and regulations as well as other local environmental protection requirements.

Energy conservation and emission reduction

The Group signed the EHS work target responsibility letter with departments of the headquarters and its subordinate units to effectively supervise each unit to fulfill its main responsibility for environmental protection. At the same time, it has also adopted a series of energy-saving and emission-reduction measures in the office and its hospitals, including:

- Preferential purchase of energy-efficient electrical appliances, phasing out high-energy-consumption lamps and replacing them with energy-saving lamps;
- For the lighting of public places such as stairs, corridors, toilets, etc., automatic control devices such as time delay switches or induction switches with mature energy-saving technology should be installed as appropriate to prevent turning on the lights all the time;
- For office equipment such as computers, copiers and fax machines, cut off the power in time when not in use to reduce standby consumption;

- Strictly implement air-conditioning operation regulations, do not open doors and windows when the air-conditioning is turned on;

- Strictly implement the Measures on Driver and Vehicle Management, promote sharing of official vehicles, and reduce separate dispatch of vehicles;

- Adhere to standard driving, maintain on time, reduce abnormal loss of vehicle components, and strive to reduce fuel consumption and maintenance costs of vehicles;

- Encourage short-distance commuting, walking, cycling or using public transportation such as subways and buses as much as possible.

The Group has continued to implement and promote energy conservation and emission reduction, and has achieved initial results. In this year, the Group did not have any violations in respect of energy conservation and environmental protection throughout the year.

Water conservation

The Group's daily water mainly comes from the municipal water supply network, so there is no difficulty in obtaining water. We advocate and encourage employees to save water during daily work. Some of the main water-saving measures are as follows:

- Gradually replace faucets and sanitary ware in the office area with water-saving appliances to prevent water evaporating, emitting, dripping, leaking and flowing for a long time; if water equipment is found to have such circumstances, employees should contact in time the property management company for repair;

- Develop good habits of water use, such as controlling water usage during daily washing, not washing vehicles with high-pressure clean water, and learning to recycle.

In this year, the water-saving measures implemented by the Group achieved certain results, and the per capita water consumption was further reduced.

Waste and wastewater management

As for the hazardous and non-hazardous waste generated in the headquarters office of the Group, we implement waste sorting and recycling to ensure that the waste is properly handled. For the waste generated by the hospitals of the Group, we have formulated the *Hazardous Waste Management Plan*, which requires the preparer to explain the types, generation, reduction plans and measures, transfer and management of hazardous waste to effectively regulate the Group's hazardous waste treatment. In addition, all employees must comply with the provisions of the *Measures for Supervision and Management of Environmental Protection* when handing over to a third party for centralized disposal of medical waste and wastewater treatment. Some treatment methods and regulations for medical waste and wastewater are as follows:

- We should deal with the hazardous wastes (including medical waste) stipulated in *Directory of National Hazardous Wastes*, strictly according to *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, and we shall not dispose the wastes randomly;
- It is forbidden to dump or stack medical wastes or mix medical wastes with other wastes and domestic garbage in non-storage locations;
- According to the category of medical waste, it is placed in special packaging or closed containers that prevent leakage and sharp penetration;
- Special packaging and containers for medical waste should have obvious warning signs and instructions;
- Wastewater, waste residues, waste oil, waste acid, alkali waste or toxic liquid are prohibited to enter into the drainage systems;
- Industrial waste residues, rubbish and other solid waste are strictly prohibited to enter into the drainage systems;
- The environmental protection management personnel of each medical institution shall count and record the types, quantities, and concentrations of pollutants discharged by the wastewater discharge facilities, treatment facilities and in normal operating conditions to ensure that the sewage discharge limit meets the relevant requirements of the *Comprehensive Wastewater Discharge Standard*.

In this year, numbers of hospitals of the Group completed the compliance replacement of pollutant discharge permits in accordance with national environmental protection requirements. Xianyang Caihong Hospital has used a network information platform to intelligently manage medical waste throughout the hospital, which facilitates supervision and search of information in all links at any time, so as to better monitor the generation of medical waste. In addition, Xianyang Caihong Hospital strictly implemented self-testing. The types of pollutants tested have increased from 4 to about 20, and the frequency of testing has also increased accordingly. It signed a contract with a professional water quality monitoring company. The frequency of water quality monitoring in the hospital has increased from twice a year to once every month. By strictly regulating the operation of the sewage treatment station, the external water quality monitoring of the hospital met the standard every time. At the beginning of 2020, Genertec Ansteel Group Hospital completed the transformation of the sewage station and installed the online automatic monitoring system, which achieved full compliance with the standards regarding the discharge of medical wastewater. In accordance with the relevant provisions of the *Regulations on the Administration of Medical Wastes* (《醫療廢物管理條例》) and the *Measures for Medical Wastes Management of Medical and Health Institutions* (《醫療衛生機構醫療廢物管理辦法》), Yantai Port Hospital adjusted the medical waste transportation process and provided training for relevant employees, and made handover records with the medical waste handling institutions. In this year, the Group did not have any pollution accidents.

4.2 Promotion of Environmental Protection

In order to actively respond to the national call and implement the Group's mission of energy conservation and emission reduction, we responded to the 2020 National Energy Efficiency Promotion Week and prepared the *Clear Waters and Green Mountains, Energy Conservation and Efficiency-2020 National Energy Efficiency Promotion Week and National Low-carbon Day Proposal* (hereinafter referred to as the "Proposal") to carry out energy conservation and emission reduction initiatives within the Company. The Proposal clarifies the severe situation and far-reaching impact of energy conservation and emission reduction, and lists measures to save electricity and paper in life and work as a way to further cultivate employees' awareness and habits of saving resources, and jointly promote the Company's green development.

In this initiative, we used multimedia to promote energy-saving and emission reduction, made related posters and cartoon promotional videos, and actively responded to the concept of environmental protection. In addition, we carried out seminars on energy-saving and environmental protection, and organized "Small Objects, Reuse" activities in this regard so as to enhance employees' awareness and sense of participation in energy conservation and environmental protection. The above education and promotion activities on environmental protection have achieved remarkable results, and employees actively practice the initiative of energy conservation and emission reduction with practical actions. The Company has gradually formed a strong corporate culture of environmental protection. In the future, we will continue to follow the concept of green development, establish and improve energy conservation and emission reduction mechanisms, comprehensively improve the work on energy conservation and emission reduction, and make positive contributions to the promotion of the China's green development.

In June 2020, we launched the Energy Conservation and Emission Reduction Initiative themed "Clear Waters and Green Mountains, Energy Conservation and Efficiency".

4.3 Environmental Performance

The Group managed to achieve a balance between business development and environmental protection, so as to minimize the effect of our business on environment. In this year, we collected the environmental data on the emissions and resource usage within the scope of the report.

4.3.1 Hospital Group Business[3]

In this year, the greenhouse gas emissions (Scope 1) in hospital group business scopes of the Group mainly come from fuel oil used by 48 office vehicles including ambulances, fuel oil used by diesel generator of the hospital, small general machinery and agricultural machinery, and natural gas used by hospital central air-conditioning and canteen[4]; and greenhouse gas emissions (Scope 2) mainly come from indirect emissions caused by purchased electricity (Scope 2).

Greenhouse gas	The amount generated in 2020	Unit
Carbon dioxide (CO_2) emission equivalent (Scope 1)[6]	3,122.53	tons
Carbon dioxide (CO_2) emission (Scope 2)[7]	18,038.55	tons
Total carbon dioxide (CO_2) emission equivalent	21,161.08	tons
Total carbon dioxide (CO_2) emission density	0.08	tons/m^2 [8]

3 Hospital group business covered seven hospitals of the Group, including Xi'an XD Group Hospital, Genertec Universal CREC Hospital Group, Yantai Port Hospital, Xianyang Caihong Hospital, Ansteel Group General Hospital, Yangquan Coal Industry (Group) General Hospital and Genertec Universal Xi'an Aero-Engine Hospital (通用環球西安西航醫院)

4 It only includes the central air-conditioning of Yangquan Coal Industry (Group) General Hospital and the self-owned canteen of Yantai Port Hospital

5 The calculation method of vehicle emissions in greenhouse gas emissions (Scope 1) is referring to the Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Overland Transportation Enterprises (Trial) issued by Ministry of Environmental Protection of the People's Republic of China; the calculation method of machinery emissions is referring to the Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and other Industries Enterprises (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the National Development and Reform Commission of the People's Republic of China and Greenhouse Gas Inventory Guidance – Direct Emissions from Mobile Combustion Sources issued by USEPA; the calculation method of natural gas emissions is referring to the Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Other Industrial Enterprises (Trial) issued by the National Development and Reform Commission of the People's Republic of China

6 The calculation method of greenhouse gas emissions (Scope 2) is referring to the Notice on the Establishment of 2018 Carbon Emission Reporting and Verification and Emission Monitoring Plan issued by the Ministry of Environmental Protection of the People's Republic of China

7 The area includes Xi'an XD Group Hospital, Genertec Universal CREC Hospital Group, Yantai Port Hospital, Xianyang Caihong Hospital, Ansteel Group General Hospital, Yangquan Coal Industry (Group) General Hospital and Genertec Universal Xi'an Aero-Engine Hospital (通用環球西安西航醫院), amounting to 274,997.50 m^2 in total

In this year, the air pollutants emissions in hospital group business scopes of the Group mainly come from exhaust emissions of 48 office vehicles (including ambulances), and emissions of diesel generator, small general machinery and agricultural machinery used by hospital[8].

Air pollutants[10]	The amount generated in 2020	Unit
Nitrogen oxide (NOx)	1,043.51	kilogram
Sulfur oxide (SOx)	5.06	kilogram
Carbon monoxide (CO)	913.47	kilogram
Particulates ($PM_{2.5}$)	43.43	kilogram
Particulates (PM_{10})	46.91	kilogram

In this year, the wastes generated from operation of hospital group business scopes of the Group are mainly medical waste and wastewater.

Waste and wastewater	The amount generated in 2020	Unit
Hazardous waste		
Medical waste	1,320.49	tons
Density of medical waste	0.005	tons/m^2
Wastewater		
Medical wastewater	1,201,461.00	tons
Density of medical wastewater	4.37	tons/m^2

8 It only includes the diesel generator of Yangquan Coal Industry (Group) General Hospital and Xi'an XD Group Hospital, agricultural machinery of Xianyang Caihong Hospital and small general machinery of Genertec Universal Xi'an Aero-Engine Hospital (通用環球西安西航醫院)

9 The calculation method of the air pollutants from vehicle emission is referring to National Emission Inventory Guidebook for On-road Vehicles (Trial) issued by Ministry of Environmental Protection of the People's Republic of China; the calculation method of the air pollutants from machinery emission is referring to Technical Guidelines for the Preparation of Non-road Mobile Source Air Pollutant Emission Inventory (Trial) (《非道路移動源大氣污染物排放清單編制技術指南(試行)》)

In this year, resources usage within hospital group business scopes of the Group mainly included gasoline and diesel used for office vehicles, natural gas for canteen, electricity, water and office paper.

Resources usage	Consumption in 2020	Unit
Total energy consumption	44,243.55	MWh
Density of energy consumption	0.16	MWh/m^2
Direct energy		
Total gasoline consumption (vehicle)	282,970.02	Litre
Density of gasoline consumption (vehicle)	8,574.85	Litre per vehicle
Total diesel consumption (vehicle and machinery)	50,788.00	Litre
Density of diesel consumption (vehicle and machinery)	3,394.87	Litre per vehicle and machinery
Total natural gas consumption	1,084,000.00	m^3
Density of natural gas consumption	3.94	m^3/m^2
Indirect energy		
Total electricity consumption	29,566,547.00	KWh
Density of total electricity consumption	107.52	KWh/m^2
Water		
Total water consumption	1,290,145.00	tons
Density of total water consumption	4.69	tons/m^2
Other resources		
Total paper consumption	99,686.25	kilogram
Density of paper consumption	0.36	kilogram/m^2

4.3.2 Finance and Advisory Business[10]

In this year, the greenhouse gas emissions in the headquarter office of the Group in Beijing mainly came from fuel oil used by 11 office vehicles (Scope 1) and indirect emissions caused by purchased electricity (Scope 2).

Greenhouse gas	The amount generated in 2020	Emission density in 2020
Carbon dioxide (CO_2) emission equivalent (Scope 1)[12]	25.21 tons	0.04 tons per person
Carbon dioxide (CO_2) emission (Scope 2)[13]	157.33 tons	0.23 tons per person
Total carbon dioxide (CO_2) emission equivalent	182.54 tons	0.26 tons per person

In this year, air pollutants in the headquarter office of the Group in Beijing mainly came from exhaust emissions of office vehicles.

Air pollutants[14]	The amount generated in 2020	Emission density in 2020
Nitrogen oxide (NOx)	1,634.12 grams	2.36 grams per person
Sulfur oxide (SOx)	87.90 grams	0.13 grams per person
Carbon monoxide (CO)	29,408.14 grams	42.50 grams per person
Particulates ($PM_{2.5}$)	159.86 grams	0.23 grams per person
Particulates (PM_{10})	167.29 grams	0.24 grams per person

10 Finance and advisory business covered the headquarter and main office premises of the Group in Beijing (annual data of Zhongyi Building and West Wing of Sichuan Building, data of Hademen Plaza since 11 August 2020 and datas of Haijing Building as of 11 August 2020)

11 The calculation method of the greenhouse gas emissions (Scope 1) is referring to the Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Overland Transportation Enterprises (Trial) issued by Ministry of Environmental Protection of the People's Republic of China

12 The calculation method of greenhouse gas emissions (Scope 2) is referring to the Notice on the Establishment of 2018 Carbon Emission Reporting and Verification and Emission Monitoring Plan issued by the Ministry of Environmental Protection of the People's Republic of China

13 The calculation method of the air pollutants emission is referring to National Emission Inventory Guidebook for On-road Vehicles (Trial) by Ministry of Environmental Protection of the People's Republic of China

In this years, the hazardous waste generated from the headquarter of the Group in Beijing during our daily operation is mainly includes waste lamp, waste ink cartridges and waste batteries, which are regularly recycled and properly disposed of by third parties. Non-hazardous waste is mainly office paper, and the waste paper must be shredded before recycling. In this year, we vigorously promoted a paperless office and made progress.

Solid waste	The amount generated in 2020	The density generated in 2020
Hazardous waste		
Waste lamp	72	0.10 per person
Waste ink cartridges	183	0.26 per person
Waste batteries	1,188	1.72 per person
Non-hazardous waste		
Waste paper	2,593.34 kilograms[15]	3.75 kilograms per person

In this year, our resources usage mainly included gasoline for office vehicles and office paper, water, electricity and office paper.

Resources usage	Consumption in 2020	Per capita consumption in 2020
Total energy consumption	371.52 MWh	0.54 MWh per person
Direct energy		
Total gasoline consumption (vehicle)	5,879.72 liters	8.50 liters per person
Total natural gas consumption	5,400.00 m^3	7.80 m^3 per person
Indirect energy		
Total electricity consumption	257,868.00 KWh	372.64 KWh per person
Water		
Total water consumption	1,009.3 tons	1.46 tons per person
Other resource		
Total paper consumption	12,966.72 kilograms	18.74 kilograms per person

14 In this year, the estimated calculation of waste paper is conducted by 20% of paper consumption

5 CARING FOR THE SOCIETY BY PROMOTING MEDICAL AND HEALTH

The Group has been practicing the corporate values of "Benevolence and Care" by actively devoting itself to social welfare undertakings. In the fight against the COVID-19 epidemic, the Group has repeatedly dispatched medical teams to support Wuhan, Xinjiang, Chengdu, Hebei and other regions. At present, the overseas anti-epidemic online platform and medical teams for Africa of the Group have always provided health protection for local people. In China's 13th Five-Year Plan for poverty alleviation, the Group's hospitals have solved the problem of inaccessible to medical resources for people in poverty-stricken areas and counties through remote consultation and health assistance. The Group cares for and gives back to the society by providing primary medical services, health education, poverty alleviation donations and voluntary services as a way to promote the harmonious development of the enterprise and society and share the fruits of development.

5.1 Poverty Alleviation through Healthcare to Improve the Level of Primary Medical Care

Since 2019, the Group has carried out an assistance program in Wuchuan County, Inner Mongolia. Through communication with the locals, we can deeply understand the needs of health assistance, research and formulate refined plans to effectively solve the specific difficulties of villagers. In this year, we continued to help Wuchuan County in Inner Mongolia alleviate poverty. Representatives of departments of the Company went to Jingergou Village, Daqingshan Township, Wuchuan County to carry out the "Bring Warmth and Health" activity, visited six poverty-stricken families with cancer patients and reminded them to take good daily healthcare. A total of RMB3 million was donated with RMB1.265 million of poverty alleviation materials.

In addition, Universal Medical took advantage of its medical resources and the Internet medical platform to carry out a remote free consultation for the local people. The vice president of XD Group Hospital, a Grade III Class A hospital, led the team to organize consultations with experts at chief physician level from cardiovascular medicine department, respiratory medicine department, orthopedics department and gynecology department, and provided real-time "one-to-one" online refined disease diagnosis, consultation and guidance of medication and living habits to more than 20 local poor patients to share quality medical resources at the grassroots level. The professional and information-based diagnosis and treatment of Universal Medical has been highly praised by the villagers.

The improvement of medical level is an important part of poverty alleviation through healthcare. Universal Medical provided strong technical support to the village and assisted local village doctors in providing medical equipment for health management in response to the high incidence of cardiovascular, orthopedics, diabetes and other diseases in the local poor households with the elderly as the main group. We specially equipped the clinic in Jingergou Village with air wave pressure therapy equipment, electromagnetic wave therapy equipment, computer intermediate frequency therapy equipment and other rehabilitation physiotherapy equipment, and arranged personnel for on-site technical guidance. Meanwhile, we provided portable blood pressure meters and disposable medical consumables such as blood glucose test strips to provide maximum support for improving local diagnosis and treatment conditions. In the future, Universal Healthcare will also provide online and offline course training for local doctors and nurses to further improve the technical level of grassroots medical staff and promote poverty alleviation through healthcare in the long run.

"Bring Warmth and Health" activity in Jingergou Village, Daqingshan Township, Wuchuan County

Condolences to Families of Cancer Patients in the Village

"One-to-one" Free Remote Consultation

5.2 Work Together to Fight the Epidemic and Discharge Social Responsibility

Establish an emergency work mechanism for epidemic prevention and control

Since the end of 2019, the outbreak and spread of the COVID-19 has profoundly impacted China and the world. Universal Medical and its hospitals responded quickly, mobilized and deployed urgently to make every effort to prevent and control the epidemic and provide support and guarantee. On 22 January 2020, Universal Medical established emergency working groups at the headquarters and the hospital levels, which were led by Peng Jiahong, the Company's general manager, and the dean. At the same time, an instant communication mechanism was established to ensure rapid response at any time. In this year, a total of 23 hospitals of the Group have been identified as designated hospitals for COVID-19 treatment or isolation. When the epidemic was raging, a total of 47 medical staff from hospitals of Universal Medical rushed to assist the epidemic area in Hubei.

On 7 December 2020, the epidemic broke out in Chengdu. Pangang Chengdu Hospital, Chengdu CEC Jinjiang Technology Industry Company Hospital (成都錦電醫院) and MCC5 Group Hospital of Universal Medical participated in the fight against the epidemic in a "full-time, full-staff, full-area, and comprehensive" state, and nearly 100 medical staff were organized to conduct over 12,000 inspections.

Launch online fever clinic service

In order to meet the needs of people for consultation and medical advice during the epidemic and reduce the risk of cross-infection, Universal Medical has made good use of the "Universal Medical Internet Health Platform (環球醫療互聯網健康平台)" to help its hospitals open online fever clinics through multiple channels such as mobile apps, official accounts, and official website pages as a way to provide the masses with comprehensive online consultation services. In this year, Universal Medical has deployed 17 online hospitals with more than 2,000 online doctors and has provided a total of more than 59,000 consultations to ensure that the public can still receive quality and appropriate medical services during the epidemic.

Guarantee medical supplies at the frontline

During the raging epidemic, our hospitals faced a shortage of supplies. The headquarters of Universal Medical actively coordinated the collection, delivery and distribution of materials in various parts of China and overseas, and fully supported its hospitals to ensure the smooth prevention and control of the epidemic in each hospital. In this year, the headquarters of Universal Medical coordinated and channeled over 100 suppliers to provide more than 570,000 pieces of medical and epidemic prevention materials such as protective masks, protective clothing, goggles, gloves, and shoe covers for its hospitals.

Conduct donation activities for epidemic prevention and control

In addition to making good use of their professional and resource advantages to provide medical assistance, the employees at the headquarters of Universal Medical also swiftly responded to the Company's leadership to carry out donation activities as a way to support the epidemic prevention and control. They demonstrated the public welfare responsibility of Universal Medical with their actions, which contributed to the fight against the epidemic.

Employees of the Company's headquarters donated 200 boxes of daily necessities to hospitals in Hubei Province.

On 5 February, 2020, the headquarters of the Company launched the "Shimmering" campaign. Through fundraising, a car of vegetables was donated to the CCFCC Staff Hospital.

APPENDIX: CONTENT INDEX OF "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE"

Aspect	Items	Descriptions	Reference Chapters/ Remarks
A. Environmental			
A1: Emissions	**General Disclosure**	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Green office, Promotion of Environmental Protection
	A1.1	The types of emissions and respective emissions data	Environmental Performance
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environmental Performance
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environmental Performance
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environmental Performance
	A1.5	Description of measures to mitigate emissions and results achieved	Green office, Promotion of Environmental Protection
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Green office, Promotion of Environmental Protection

Aspect	Items	Descriptions	Reference Chapters/ Remarks
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Green office, Promotion of Environmental Protection
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Environmental Performance
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Environmental Performance
	A2.3	Description of energy use efficiency initiatives and results achieved	Green office, Promotion of Environmental Protection
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Green office, Promotion of Environmental Protection
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not Applicable
A3: Environmental and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Caring for the Environment and Practicing Green Operation
	A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them	Caring for the Environment and Practicing Green Operation

Aspect	Items	Descriptions	Reference Chapters/ Remarks
B. Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employee Rights
	B1.1	Total workforce by gender, employment type, age group and geographical region	Employee Rights (Statistics cover headquarters in Beijing, not applicable by region)
	B1.2	Employee turnover rate by gender, age group and geographical region	Employee Rights (Statistics cover headquarters in Beijing, not applicable by region)
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employee Safety
	B2.1	Number and rate of work-related fatalities	Employee Safety
	B2.2	Lost days due to work injury	Employee Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employee Safety

Aspect	Items	Descriptions	Reference Chapters/ Remarks
B3: Development and Training	**General Disclosure**	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Talents Cultivation
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Talents Cultivation
	B3.2	The average training hours completed per employee by gender and employee category	Talents Cultivation
B4: Labor Standards	**General Disclosure**	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labor	Employee Rights
	B4.1	Description of measures to review employment practices to avoid the child and forced labor	Employee Rights
	B4.2	Description of steps taken to eliminate such practices when discovered	Disclosure will be considered in the Future
B5: Supply Chain Management	**General Disclosure**	Policies on managing environmental and social risks of the supply chain	Responsible Procurement
	B5.1	Number of suppliers by geographical region	Responsible Procurement
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Responsible Procurement

Aspect	Items	Descriptions	Reference Chapters/ Remarks
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress	Quality Control Compliance Operation
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Quality Control
	B6.2	Number of products and service related complaints received and how they are dealt with	Quality Control
	B6.3	Description of practices relating to observing and protecting intellectual property rights	Disclosure will be considered in the Future
	B6.4	Description of quality assurance process and recall procedures	Disclosure will be considered in the Future
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Compliance Operation
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Integrity Management
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases	Integrity Management
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Integrity Management
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Caring for the Society by Promoting Medical and Health
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	Caring for the Society by Promoting Medical and Health
	B8.2	Resources contributed (e.g. money or time) to the focus area	Caring for the Society by Promoting Medical and Health

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Genertec Universal Medical Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 158 to 308, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Allowance for impairment of loans and accounts receivables	
As at 31 December 2020, the Group's loans and accounts receivables consisted of lease receivables, long-term receivables arising from sale-and-leaseback arrangements, factoring receivables, accounts receivables and notes receivables, and accounted for 88% of the Group's total assets. The assessment of impairment of such loans and accounts receivables in our audit was considered to be a matter of most significance as it required the application of judgement and use of subjective assumptions by management. HKFRS 9 requires the use of the "expected credit loss" ("ECL") model for the measurement of impairment of financial assets. In order to measure impairment of loans and accounts receivables under HKFRS 9, management should use judgement, assumptions and estimation techniques in aspects such as judging significant increases in credit risk, estimating the parameters for measuring ECLs and determining the forward-looking adjustments. The related disclosures are included in notes 2.4, 3, 19 and 39 to the consolidated financial statements.	We gained an understanding of and tested the key controls over the approval and recording of loans and accounts receivables, and impairment assessment. We adopted a risk-based sampling approach in our tests of the allowance for impairment of loans and accounts receivables. We selected samples of performing loans considering the size, risk factors and industry trends for our tests on the reasonableness of loan grading and measurement of impairment. We assessed management's forecast of future repayments and current financial conditions of the lessees in relation to non-performing assets, based on historical experience, value of collateral and observable external data. We evaluated the methodologies, inputs and assumptions used by the Group in the calculation of the expected credit losses. We assessed the adequacy of the disclosures about the allowance for impairment of loans and accounts receivables included in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**8,521,238**	6,815,587
Cost of sales		**(4,967,263)**	(3,636,505)
Gross profit		**3,553,975**	3,179,082
Other income and gains	5	**185,467**	218,645
Selling and distribution costs		**(380,390)**	(404,589)
Administrative expenses		**(613,868)**	(441,408)
Impairment losses on financial assets, net		**(247,446)**	(235,213)
Other expenses		**(113,513)**	(96,116)
Financial costs		**(30,558)**	(11,982)
Share of profits of:			
A joint venture		**11,085**	2,821
An associate		**262**	619
PROFIT BEFORE TAX	6	**2,365,014**	2,211,859
Income tax expense	9	**(551,104)**	(577,467)
PROFIT FOR THE YEAR		**1,813,910**	1,634,392
Attributable to:			
Owners of the parent		**1,647,537**	1,488,736
Non-controlling interests		**66,773**	46,056
Other equity instruments		**99,600**	99,600
		1,813,910	1,634,392
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	11	**0.96**	0.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	**1,813,910**	1,634,392
OTHER COMPREHENSIVE INCOME		
Other comprehensive income 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 year	**(518,844)**	87,933
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss	**619,473**	(56,793)
Income tax effect	**(18,715)**	(17,135)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**81,914**	14,005
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Actuarial losses on the post-retirement benefit obligations, net of tax	**(2,726)**	(3,593)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(2,726)**	(3,593)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**79,188**	10,412
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,893,098**	1,644,804
Attributable to:		
Owners of the parent	**1,728,057**	1,500,903
Non-controlling interests	**65,441**	44,301
Other equity instruments	**99,600**	99,600
	1,893,098	1,644,804

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**2,346,601**	2,122,560
Right-of-use assets	13 (a)	**763,089**	689,937
Loans and accounts receivables	19	**35,532,729**	33,408,641
Prepayments, deposits and other receivables	20	**48,710**	12,313
Goodwill	14	**69,908**	69,908
Deferred tax assets	25	**398,739**	308,585
Derivative financial instruments	17	**–**	32,756
Investment in a joint venture	15	**455,892**	444,807
Investment in an associate	16	**4,215**	4,198
Other assets		**58,603**	44,559
Total non-current assets		**39,678,486**	37,138,264
CURRENT ASSETS			
Inventories	18	**198,034**	156,726
Loans and accounts receivables	19	**18,662,682**	16,123,097
Prepayments, deposits and other receivables	20	**258,402**	320,070
Derivative financial instruments	17	**9,173**	187,509
Restricted deposits	21	**667,701**	541,009
Cash and cash equivalents	21	**2,036,535**	3,385,867
Total current assets		**21,832,527**	20,714,278
CURRENT LIABILITIES			
Trade payables	22	**868,396**	1,289,436
Other payables and accruals	23	**2,190,903**	2,387,726
Interest-bearing bank and other borrowings	24	**19,850,230**	14,987,079
Derivative financial instruments	17	**337,083**	19,553
Tax payable		**73,059**	74,119
Total current liabilities		**23,319,671**	18,757,913
NET CURRENT (LIABILITIES)/ASSETS		**(1,487,144)**	1,956,365
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,191,342**	39,094,629

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**20,131,111**	23,015,764
Other payables and accruals	23	**3,018,646**	2,585,661
Derivative financial instruments	17	**76,250**	45,996
Total non-current liabilities		**23,226,007**	25,647,421
Net assets		**14,965,335**	13,447,208
EQUITY			
Equity attributable to the owners of the parent			
Share capital	27	**4,327,842**	4,327,842
Reserves	28	**6,442,672**	5,161,462
		10,770,514	9,489,304
Other equity instruments	36	**1,652,387**	1,652,387
Non-controlling interests		**2,542,434**	2,305,517
Total equity		**14,965,335**	13,447,208

Peng Jiahong	Yu Gang
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Equity attributable to the owners of the parent											
	Share capital RMB'000 (Note 27)	Capital reserve* RMB'000 (Note 28)	Statutory reserve* RMB'000 (Note 28)	Share-based compensation reserve* RMB'000 (Note 28)	Exchange fluctuation reserve* RMB'000 (Note 28)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	4,327,842	33,302	691,382	-	29,248	(58,824)	(1,838)	4,468,192	9,489,304	1,652,387	2,305,517	13,447,208
Profit for the year	-	-	-	-	-	-	-	1,647,537	1,647,537	99,600	66,773	1,813,910
Other comprehensive income for the year:												
Cash flow hedges, net of tax	-	-	-	-	-	81,914	-	-	81,914	-	-	81,914
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	(1,394)	-	(1,394)	-	(1,332)	(2,726)
Total comprehensive income for the year	-	-	-	-	-	81,914	(1,394)	1,647,537	1,728,057	99,600	65,441	1,893,098
Acquisition of subsidiaries (Note 30)	-	-	-	-	-	-	-	-	-	-	256,068	256,068
Distribution paid to holders of a renewable corporate bond	-	-	-	-	-	-	-	-	-	(99,600)	-	(99,600)
Dividends	-	-	-	-	-	-	-	(454,117)	(454,117)	-	-	(454,117)
Recognition of equity-settled share-based payments	-	-	-	5,798	-	-	-	-	5,798	-	-	5,798
Acquisition of non-controlling interests	-	1,472	-	-	-	-	-	-	1,472	-	(84,592)	(83,120)
Appropriation of reserves	-	-	178,810	-	-	-	-	(178,810)	-	-	-	-
At 31 December 2020	4,327,842	34,774	870,192	5,798	29,248	23,090	(3,232)	5,482,802	10,770,514	1,652,387	2,542,434	14,965,335

* These reserve accounts comprise the consolidated reserves of RMB6,442,672,000 (2019: RMB5,161,462,000) in the consolidated statement of financial position.

	Equity attributable to the owners of the parent										
	Share capital RMB'000 (Note 27)	Capital reserve* RMB'000 (Note 28)	Statutory reserve* RMB'000 (Note 28)	Exchange fluctuation reserve* RMB'000 (Note 28)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	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 year	–	–	–	–	–	–	1,488,736	1,488,736	99,600	46,056	1,634,392
Other comprehensive income for the year:											
Cash flow hedges, net of tax	–	–	–	–	14,005	–	–	14,005	–	–	14,005
Actuarial losses on the post-retirement benefit obligations, net of tax	–	–	–	–	–	(1,838)	–	(1,838)	–	(1,755)	(3,593)
Total comprehensive income for the year	–	–	–	–	14,005	(1,838)	1,488,736	1,500,903	99,600	44,301	1,644,804
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	2,052,500	2,052,500
Distribution paid to holders of a renewable corporate bond	–	–	–	–	–	–	–	–	(99,694)	–	(99,694)
Dividends	–	–	–	–	–	–	(407,210)	(407,210)	–	–	(407,210)
Appropriation of reserves	–	–	151,427	–	–	–	(151,427)	–	–	–	–
At 31 December 2019	4,327,842	33,302	691,382	29,248	(58,824)	(1,838)	4,468,192	9,489,304	1,652,387	2,305,517	13,447,208

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,365,014**	2,211,859
Adjustments for:			
Finance costs and interest expense		**1,754,175**	1,882,175
Interest income	5	**(43,554)**	(91,251)
Share of profits of a joint venture and an associate		**(11,347)**	(3,440)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value losses/(gains), net	6	**81,202**	(27,049)
Realised fair value losses, net	6	**15,500**	5,227
Depreciation, exclusive of right-of-use assets		**222,715**	114,796
Depreciation of right-of-use assets	6	**32,514**	16,533
Gain on disposal of property, plant and equipment, net	5	**(3,921)**	(8,039)
Amortisation of intangible assets		**14,964**	8,581
Impairment of loans and accounts receivables and other receivables	6	**247,446**	235,213
Investment income	5	**–**	(58)
Equity-settled share-based compensation expense	6	**5,798**	–
Foreign exchange losses, net	6	**2,952**	87,644
		4,683,458	4,432,191
Increase in inventories		**(23,510)**	(31,817)
Increase in loans and accounts receivables		**(4,874,480)**	(5,519,233)
Decrease in prepayments, deposits and other receivables		**50,518**	39,507
Decrease in other assets		**1,110**	4,053
Decrease in amounts due from related parties		**1,253**	1,152
(Decrease)/increase in trade payables		**(500,833)**	70,686
Increase/(decrease) in other payables and accruals		**344,382**	(220,053)
Increase in amounts due to related parties		**1,402**	26
Net cash flows used in operating activities before interest and tax		**(316,700)**	(1,223,488)
Interest received		**25,389**	25,723
Income tax paid		**(680,410)**	(626,140)
Net cash flows used in operating activities		**(971,721)**	(1,823,905)

	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Realised losses on derivative financial instruments not qualifying as hedges	**(56,670)**	(6,451)
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets	**(401,394)**	(208,240)
Proceeds from disposal of items of property, plant and equipment	**529**	14,023
Acquisition of subsidiaries	**89,079**	456,931
Dividends received from an associate	**245**	441
Increase in time deposits	**–**	(14,802)
Other repayments of investments	**(25,910)**	(1,800)
Other receipt of investments	**97,590**	114,443
Purchase of a shareholding in a joint venture	**–**	(441,986)
Net cash flows used in investing activities	**(296,531)**	(87,441)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amounts due to related parties	**3,029,281**	1,645,432
Decrease in amounts due to related parties	**(1,282,192)**	(1,003,675)
Acquisition of non-controlling interest	**(83,120)**	–
Cash received from borrowings	**24,816,668**	27,429,813
Repayments of borrowings	**(23,152,970)**	(24,631,399)
Principal portion of lease payments	**(932,706)**	1,634,109
Interest paid	**(1,887,288)**	(1,927,198)
Cash paid for restricted deposits	**(6,125,462)**	(7,489,537)
Receipt of restricted deposits	**5,986,491**	7,764,349
Dividends paid	**(454,117)**	(407,210)
Other cash receipts relating to financing activities	**442,014**	9,866
Other cash payments relating to financing activities	**(391,227)**	(2,692)
Net cash flows (used in)/from financing activities	**(34,628)**	3,021,858

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,302,880)**	1,110,512
Cash and cash equivalents at beginning of year	**3,385,867**	2,173,473
Effect of exchange rate changes on cash and cash equivalents	**(46,452)**	101,882
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,036,535**	3,385,867
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,456,736**	3,679,376
Less: Restricted deposits	**(420,201)**	(293,509)
Cash and cash equivalents as stated in the statement of financial position	**2,036,535**	3,385,867
Cash and cash equivalents as stated in the statement of cash flows	**2,036,535**	3,385,867

1. CORPORATE AND GROUP INFORMATION

Genertec Universal Medical Group Company Limited (the "Company") is a limited liability company which was incorporated in Hong Kong on 19 April 2012. Pursuant to the special resolutions of shareholders dated 6 February 2015 and 10 June 2015, respectively, the Company changed its name from Universal International Leasing Co., Limited to Universal Medical Services & Health Management Company Limited and then to Universal Medical Financial & Technical Advisory Services Company Limited. Pursuant to the special resolution of shareholders dated 5 June 2018, the Company changed its name from Universal Medical Financial & Technical Advisory Services Company Limited to Genertec Universal Medical Group Company Limited. The registered office of the Company is located at Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 July 2015.

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/registered capital/start-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
中國環球租賃有限公司* (China Universal Leasing Co., Ltd.)	PRC/Mainland China	USD818,887,616	100.00	–	Finance lease
環球一號有限公司 (Universal Number One Co., Ltd.)	Cayman Islands	USD1	100.00	–	Provision of financing
通用環球國際融資租賃(天津)有限公司** (Genertec Universal International Financial Leasing (Tianjin) Co., Ltd.)	PRC/Mainland China	USD150,000,000	25.00	75.00	Finance lease
通用環球醫療技術服務(天津)有限公司*** (Genertec Universal Medical Technology Services (Tianjin) Co., Ltd.)	PRC/Mainland China	RMB18,000,000	–	100.00	Medical technology services
通用環球醫院投資管理(天津)有限公司*** (i) (Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd)	PRC/Mainland China	RMB5,000,000,000	–	100.00	Hospital management services
西安融慧醫院建設管理有限公司*** (Xi'an Ronghui Hospital Construction Management Co., Ltd.)	PRC/Mainland China	RMB400,000,000	–	100.00	Hospital construction and management services
西安萬恒醫療科技發展有限公司*** (Xi'an Wanheng Medical Technology Development Co., Ltd.)	PRC/Mainland China	RMB35,000,000	–	80.00	Property management
陝西華虹醫藥有限公司*** (Shaanxi Huahong Pharmaceutical Co., Ltd.)	PRC/Mainland China	RMB100,000,000	–	78.00	Sale of medical related goods

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/registered capital/start-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
通用環球醫療融資租賃(珠海橫琴)有限公司** (Genertec Universal Medical Financial Leasing (Zhuhai Hengqin) Co., Ltd.)	PRC/Mainland China	USD100,000,000	25.00	75.00	Finance lease
通用環球醫院管理邯鄲有限公司*** (Genertec Universal Hospital Management Handan Co., Ltd.)	PRC/Mainland China	RMB400,000,000	–	100.00	Hospital construction and management services
安徽環康醫院管理有限公司*** (Anhui Huankang Hospital Management Co., Ltd.)	PRC/Mainland China	RMB50,000,000	–	100.00	Hospital management services
合肥安化創傷康復醫院**** (Hefei Anhua Trauma Rehabilitation Hospital)	PRC/Mainland China	RMB24,850,000	–	100.00	Medical services
煙台海港醫院有限公司*** (Yantai Harbour Hospital Co., Ltd.)	PRC/Mainland China	RMB600,000,000	–	65.00	Medical services
通用環球健康產業發展(天津)有限公司* (Genertec Universal Healthcare Industry Development (Tianjin) Co., Ltd.)	PRC/Mainland China	RMB5,000,000,000	100.00	–	Hospital management services
通用環球(天津)醫院集團有限公司*** (Genertec Universal (Tianjin) Hospital Group Co., Ltd.)	PRC/Mainland China	RMB2,600,000,000	–	100.00	Hospital management services
通用環球醫療(西安)有限公司*** (Genertec Universal Medical (Xi'an) Co., Ltd.)	PRC/Mainland China	RMB1,000,000,000	–	63.00	Hospital management services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/registered capital/start-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
通用環球西航醫院(西安)有限公司*** (Genertec Universal Xi'an Aero-Engine Hospital (Xi'an) Co., Ltd.)	PRC/Mainland China	RMB509,664,900	–	78.48	Medical services
通用鞍鋼醫院管理有限公司*** (Genertec Ansteel Hospital Management Co., Ltd.)	PRC/Mainland China	RMB983,670,000	–	51.15	Hospital management services
通用環球彩虹(咸陽)醫院管理有限公司*** (Genertec Universal Caihong (Xianyang) Hospital Management Co., Ltd.)	PRC/Mainland China	RMB380,000,000	–	52.63	Hospital management services
通用環球中鐵(西安)醫院管理有限公司*** (Genertec Universal CREC (Xi'an) Hospital Management Co., Ltd.)	PRC/Mainland China	RMB200,000,000	–	51.00	Hospital management services
通用中鐵(北京)醫院管理有限公司*** (ii) (Genertec CREC (Beijing) Hospital Management Co., Ltd.)	PRC/Mainland China	RMB200,000,000	–	51.00	Hospital management services
通用環球醫療技術諮詢(煙台)有限公司*** (Genertec Universal Medical Technology Advisory (Yantai) Co., Ltd.)	PRC/Mainland China	RMB1,000,000	–	65.00	Medical consulting
通用環球醫療科技(海南)有限公司*** (Genertec Universal Medical Science and Technology (Hainan) Co., Ltd.)	PRC/Mainland China	RMB10,000,000	–	100.00	Medical consulting
山西陽煤總院醫療管理有限公司*** (Shanxi Yangmei Group General Hospital Medical Management Co., Ltd.)	PRC/Mainland China	RMB1,380,000,000	–	51.00	Hospital management services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/registered capital/start-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
成都通用錦電醫院管理有限公司*** (Chengdu Genertec Jindian Hospital Management Co., Ltd.)	PRC/Mainland China	RMB11,000,000	–	81.51	Medical services
通用環球兵工(西安)醫院管理有限公司*** (Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd.)	PRC/Mainland China	RMB38,775,700	–	51.00	Hospital management services
通用環球中煤(邯鄲)醫院管理有限公司*** (Genertec Universal Chinacoal (Handan) Hospital Management Co., Ltd.)	PRC/Mainland China	RMB50,897,300	–	70.00	Hospital management services
西電集團醫院**** (Xi'an XD Group Hospital)	PRC/Mainland China	RMB99,215,200	–	63.00	Medical services
鞍鋼集團公司總醫院**** (Ansteel Group Hospital)	PRC/Mainland China	RMB232,511,400	–	51.15	Medical services
通用環球中鐵西安醫院**** (Genertec Universal CREC Xi'an Hospital)	PRC/Mainland China	RMB86,420,000	–	51.00	Medical services
咸陽彩虹醫院**** (Xianyang Caihong Hospital)	PRC/Mainland China	RMB94,855,700	–	52.63	Medical services
陽泉煤業(集團)有限責任公司總醫院**** (Yangquan Coal Industry (Group) General Hospital)	PRC/Mainland China	RMB176,850,000	–	51.00	Medical services
通用環球中鐵邳州醫院**** (Genertec Universal CREC Pizhou Hospital)	PRC/Mainland China	RMB16,920,000	–	51.00	Medical services
通用環球兵工西安醫院**** (Genertec Universal NORINCO Xi'an Hospital)	PRC/Mainland China	RMB38,775,700	–	51.00	Medical services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

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

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

*** Registered as limited liability companies under PRC law

**** These institutions, as not-for-profit hospitals, cannot be registered as companies under PRC law. The sponsors of these institutions, which are not-for-profit hospitals, have respective obligations to contribute the start-up capital to such institutions. Such start-up capital, once contributed, shall not be withdrawn by the sponsors. Given the charity nature of the not-for-profit hospitals, the legal income of such hospitals shall only be used in line with its purpose and within its business scope, and where applicable, in accordance with the articles of association of such hospitals, and therefore, the net income is not distributable to its sponsors as dividends, which is different from those companies with a shareholder who owns the equity interests of a company.

(i) On 8 May 2020, China Universal Leasing Co., Ltd. increased the capital of Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. from RMB2,400,000,000 to RMB5,000,000,000.

(ii) On 31 March 2020, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. and China Railway State Asset Management Co., Ltd. increased the capital of Genertec CREC (Beijing) Hospital Management Co., Ltd. from RMB10,000,000 to RMB200,000,000.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structure entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

Going-concern assumption

As of 31 December 2020, the Group had net current liabilities amounting to RMB1,487,144,000. When preparing the financial statements, the Group's management concluded that the adoption of the going concern basis of accounting was appropriate after analysing the forecasted cash flows for the twelve months from 31 December 2020 which indicates that the Group will have sufficient liquidity during the next twelve months from cash inflows generated from operations and existing credit facilities. To mitigate any liquidity issues that might be faced by the Group, the Group may curtail and defer its expansion of financial leasing business based on the availability of sufficient funds. Accordingly, the Group will have the financial resources to settle borrowings and liabilities in the next twelve months, as and when they fall due.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendment did not have any significant impact on the the financial position and performance of the Group.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB5,543,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to the corresponding right-of-use assets for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39,HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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

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

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

HKFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at the end of each reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Category	Annual depreciation rate
Transportation equipment	9.50%
Office equipment	19.00%
Electronic equipment	9.50%~19.00%
Medical equipment	12.50%~20.00%
Leasehold improvements	20.00%~33.33%
Buildings	1.90%~11.88%

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	38 years to indefinite useful life
Property	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) *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 lease. 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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Sale-and-leaseback transactions

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, sale-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 into on or after the date of initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

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

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

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

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

Renewable corporate bond

A renewable corporate bond issued by the Group contains no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. The Group classifies such renewable corporate bond issued as an equity instrument. Fees, commissions and other transaction costs of such renewable corporate bond issuance are deducted from equity. The distributions on a renewable corporate bond are recognised as profit distributions at the time of declaration.

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Revenue recognition

Finance lease and factoring income

Finance lease and factoring income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets;

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of finished goods

Revenue from the sale of finished goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the finished goods.

Some contracts for the sale of finished goods provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of finished goods (continued)

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Provision of management services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis or at a point in time.

Operating lease income

Operating lease income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in note 35 to the financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in which services have been rendered by the employees of the Group.

Other employee benefits

Pension obligations

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits (continued)

Pension obligations (continued)

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

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

Defined benefit plan

The Group provides eligible retirees with certain post-retirement benefits including retirement subsidies, transportation allowance as well as other welfare. The defined post-retirement benefits are unfunded. The cost of providing benefits under the post-retirement benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from the post-retirement benefit plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits (continued)

Defined benefit plan (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "Wages, salaries and benefits" and "Finance costs" in profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Classification between finance leases and operating leases

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

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of financial instruments

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at amortised cost or at FVOCI and loans and accounts receivables requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

(i) The Group's internal credit grading model, which assigns the probability of defaults to the individual grades

(ii) The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment

(iii) Development of ECL models, including the various formulas and the choice of inputs

(iv) Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on the probability of defaults, the exposure of defaults and the loss given defaults

The Group will regularly review the expected credit loss model in the context of actual loss experience and adjust it when necessary.

Fair value of financial instruments

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB69,908,000 (2019: RMB69,908,000). Further details are given in note 14.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two operating segments, namely the finance and advisory business and the 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-and-leaseback; (c) factoring; (d) operating leases and (e) advisory services; and

- The hospital group business comprises primarily (a) medical services; (b) hospital and healthcare management and (c) import and export trade and domestic trade of medical-related goods.

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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the year ended 31 December 2020

	Finance and advisory RMB'000	Hospital group RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external Customers	4,899,669	3,621,569	–	8,521,238
Intersegment sales	–	1,432	(1,432)	–
Cost of sales	(1,840,231)	(3,243,661)	116,629	(4,967,263)
Other income and gains	164,054	138,016	(116,603)	185,467
Selling and distribution costs and administrative expenses	(678,262)	(317,402)	1,406	(994,258)
Impairment (losses)/reversal on financial assets, net	(282,089)	34,643	–	(247,446)
Share of profits of an associate	–	262	–	262
Share of profits of a joint venture	–	11,085	–	11,085
Other expenses	(103,616)	(9,897)	–	(113,513)
Finance costs	(5,204)	(25,354)	–	(30,558)
Profit before tax	2,154,321	210,693	–	2,365,014
Income tax expense	(526,240)	(24,864)	–	(551,104)
Profit after tax	1,628,081	185,829	–	1,813,910
Segment assets	55,922,417	8,100,062	(2,511,466)	61,511,013
Segment liabilities	47,099,754	1,957,390	(2,511,466)	46,545,678
Other segment information:				
Impairment losses/(reversal) recognised in the statement of profit or loss	282,089	(34,643)	–	247,446
Depreciation and amortisation	48,448	221,745	–	270,193
Investment in an associate	–	4,215	–	4,215
Investment in a joint venture	–	455,892	–	455,892
Capital expenditure	124,457	276,937	–	401,394

4. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the year ended 31 December 2019

	Finance and advisory RMB'000	Hospital group RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	4,768,645	2,046,942	–	6,815,587
Cost of sales	(1,926,405)	(1,757,074)	46,974	(3,636,505)
Other income and gains	205,182	60,437	(46,974)	218,645
Selling and distribution costs and administrative expenses	(659,552)	(186,445)	–	(845,997)
Impairment losses on financial assets, net	(200,080)	(35,133)	–	(235,213)
Share of profits of an associate	–	619	–	619
Share of profits of a joint venture	–	2,821	–	2,821
Other expenses	(94,784)	(1,332)	–	(96,116)
Finance costs	(1,760)	(10,222)	–	(11,982)
Profit before tax	2,091,246	120,613	–	2,211,859
Income tax expense	(564,324)	(13,143)	–	(577,467)
Profit after tax	1,526,922	107,470	–	1,634,392
Segment assets	52,014,941	6,957,350	(1,119,749)	57,852,542
Segment liabilities	43,342,363	2,182,720	(1,119,749)	44,405,334
Other segment information:				
Impairment losses recognised in the statement of profit or loss	200,080	35,133	–	235,213
Depreciation and amortisation	28,940	110,970	–	139,910
Investment in an associate	–	4,198	–	4,198
Investment in a joint venture	–	444,807	–	444,807
Capital expenditure	10,274	197,966	–	208,240

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2020 RMB'000	2019 RMB'000
Mainland China	**8,519,130**	6,815,587
Hong Kong	**2,108**	–
	8,521,238	6,815,587

The revenue information of continuing operating above is based on the locations of customers.

(b) All non-current assets of the operations, excluding financial instruments and property, plant and equipment, are located in Mainland China.

Information about a major customer

There was no revenue derived from a single customer which amounted to 10% or more of the total revenue of the Group during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue		
Finance lease income	**2,701,978**	2,972,563
Long-term receivable income arising from sale-and-leaseback arrangements	**1,331,731**	849,223
Factoring income	**14,329**	–
Revenue from contracts with customers	**4,479,947**	3,000,520
Revenue from other sources		
– Operating lease income	**–**	7,207
– Others	**21,802**	12,600
Taxes and surcharges	**(28,549)**	(26,526)
	8,521,238	6,815,587

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Finance and advisory RMB'000	Hospital group RMB'000	Total RMB'000
Types of goods or services			
Service fee income	875,165	17,616	892,781
Sale of finished goods	–	229,552	229,552
Healthcare service income	–	3,357,614	3,357,614
Total revenue from contracts with customers	875,165	3,604,782	4,479,947
Geographical markets			
Hong Kong	–	2,108	2,108
Mainland China	875,165	3,602,674	4,477,839
Total revenue from contracts with customers	875,165	3,604,782	4,479,947
Timing of revenue recognition			
Goods transferred at a point in time	–	229,552	229,552
Services transferred at a point in time	875,165	3,375,230	4,250,395
Total revenue from contracts with customers	875,165	3,604,782	4,479,947

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2019

Segments	Finance and advisory RMB'000	Hospital group RMB'000	Total RMB'000
Types of goods or services			
Service fee income	962,796	3,603	966,399
Sale of finished goods	–	181,222	181,222
Healthcare service income	–	1,852,899	1,852,899
Total revenue from contracts with customers	962,796	2,037,724	3,000,520
Geographical market			
Mainland China	962,796	2,037,724	3,000,520
Total revenue from contracts with customers	962,796	2,037,724	3,000,520
Timing of revenue recognition			
Goods transferred at a point in time	–	181,222	181,222
Services transferred at a point in time	962,796	1,856,502	2,819,298
Total revenue from contracts with customers	962,796	2,037,724	3,000,520

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

For the year ended 31 December 2020

Segments	**Finance and advisory RMB'000**	**Hospital group RMB'000**	**Total RMB'000**
Revenue from contracts with customers			
External customers	**875,165**	**3,604,782**	**4,479,947**
Intersegment sales	**–**	**1,432**	**1,432**
	875,165	**3,606,214**	**4,481,379**
Intersegment adjustments and eliminations	**–**	**(1,432)**	**(1,432)**
Total revenue from contracts with customers	**875,165**	**3,604,782**	**4,479,947**

For the year ended 31 December 2019

Segments	Finance and advisory RMB'000	Hospital group RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	962,796	2,037,724	3,000,520
Total revenue from contracts with customers	962,796	2,037,724	3,000,520

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 **RMB'000**	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Service fee income	**35,560**	23,134
Sale of finished goods	**7,751**	17,048
Healthcare services	**90,973**	–
	134,284	40,182

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of finished goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 90 to 180 days from delivery. Some contracts provide customers with a right of return which gives rise to variable consideration subject to certain restrictions.

Service fee income

The performance obligation is satisfied over time or at a point in time as services are rendered and short-term advances are normally required before rendering the services.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Healthcare service income

The performance obligation is satisfied at a point in time as services are rendered.

	2020 RMB'000	2019 RMB'000
Other income and gains		
Gains on disposal of property, plant, and equipment	**3,921**	8,039
Interest income	**43,554**	91,251
Government grants (note 5a)	**134,352**	90,267
Fair value gains, net from derivative instruments		
– Transactions not qualifying as hedges	**–**	27,049
Investment income from subordinated tranches of asset-backed securities	**–**	58
Others	**3,640**	1,981
	185,467	218,645

5a. GOVERNMENT GRANTS

	2020 RMB'000	2019 RMB'000
Government special subsidies	**134,352**	90,267

6. PROFIT BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Cost of borrowings included in cost of sales	**1,723,617**	1,870,193
Cost of inventories sold	**163,463**	132,058
Cost of operating leases	**–**	6,804
Cost of medical services	**1,919,294**	1,624,382
Cost of others	**12,314**	3,068
Depreciation of property, plant and equipment	**222,715**	107,992
Depreciation of right-of-use assets	**32,514**	16,533
Amortisation of intangible assets*	**13,964**	8,581
Lease payments not included in the measurement of lease liabilities	**15,872**	16,492
Auditor's remuneration		
– audit services	**2,999**	3,374
– other services	**2,254**	1,781
Research and development expenses	**16,629**	13,825
Employee benefit expense* (including directors' remuneration (note 7))		
– Equity-settled share-based compensation expense	**5,798**	–
– Wages and salaries	**1,061,787**	832,976
– Pension scheme contributions (defined contribution schemes)	**104,678**	109,159
– Other employee benefits	**491,218**	206,980
	1,663,481	1,149,115
Impairment of loan, accounts receivables and other receivables	**247,446**	235,213
Foreign exchange losses, net	**2,952**	87,644
Cash flow hedges (transfer from equity to offset foreign exchange)	**619,473**	(56,793)
Others	**(616,521)**	144,437
Derivative financial instruments – transactions not qualifying as hedges:		
– Unrealised fair value losses/(gains), net	**81,202**	(27,049)
– Realised fair value losses, net	**15,500**	5,227

* The amortisation of intangible assets and the employee benefit expense from research and development activities are included in research and development expenses.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2020	2019
	RMB'000	RMB'000
Fees	**1,119**	1,080
Other emoluments:		
Salaries, allowances and benefits in kind	**3,885**	3,516
Performance related bonuses*	**6,878**	4,653
Pension scheme contributions	**322**	391
	11,085	8,560
	12,204	9,640

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

As at 31 December 2019, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, details of which are set out in note 35 to the financial statements.

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

(a) Independent non-executive directors

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

	2020 RMB'000	2019 RMB'000
Mr. Li Yinquan	**186**	187
Mr. Chow Siu Lui	**186**	187
Mr. Kong Wei (i)	**–**	145
Mr. Han Demin	**186**	187
Mr. Liao Xinbo (ii)	**189**	–
	747	706

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

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

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2020					
Executive directors:					
Ms. Peng Jiahong	–	1,991	3,497	169	5,657
Mr. Yu Gang	–	1,894	3,381	153	5,428
Non-executive directors:					
Mr. Zhang Yichen	–	–	–	–	–
Ms. Liu Kun	–	–	–	–	–
Mr. Liu Xiaoping (iii)	186	–	–	–	186
Mr. Liu Zhiyong	–	–	–	–	–
Mr. Su Guang (iii)	186	–	–	–	186
	372	3,885	6,878	322	11,457

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

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

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2019					
Executive directors:					
Ms. Peng Jiahong	–	1,848	2,327	245	4,420
Mr. Yu Gang	–	1,668	2,326	146	4,140
Non-executive directors:					
Mr. Zhang Yichen	–	–	–	–	–
Ms. Liu Kun	–	–	–	–	–
Mr. Liu Xiaoping (iii)	187	–	–	–	187
Mr. Liu Zhiyong	–	–	–	–	–
Mr. Su Guang (iii)	187	–	–	–	187
	374	3,516	4,653	391	8,934

Notes:

(i) Resigned on 18 September 2019

(ii) Appointed on 2 December 2019

(iii) Resigned on 6 March 2021

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director and the chief executive (2019: one director and the chief executive), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**3,287**	2,406
Performance related bonuses	**24,891**	27,848
Pension scheme contributions	**407**	825
	28,585	31,079

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

	Number of employees	
	2020	2019
HKD4,000,001 to HKD5,000,000 (RMB3,364,801 to RMB4,206,000)	**1**	2
HKD8,000,001 to HKD9,000,000 (RMB6,729,601 to RMB7,570,800)	**1**	–
HKD20,000,001 to HKD21,000,000 (RMB16,824,001 to RMB17,665,200)	**1**	–
HKD26,500,001 to HKD27,000,000 (RMB23,333,251 to RMB23,773,500)	**–**	1
	3	3

As at 31 December 2019, certain highest paid employees were granted share options, in respect of their services to the Group, under the share option scheme of the Company, details of which are set out in note 35 to the financial statements.

9. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current – Mainland China		
Charge for the year	**680,029**	652,765
(Overprovision in)/charge for prior years	**(20,056)**	1,951
Deferred tax	**(108,869)**	(77,249)
Total tax charge for the year	**551,104**	577,467

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year (2019: 16.5%).

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate of 0% to 25% on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

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

9. 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 Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	**2,365,014**	2,211,859
At the PRC statutory income tax rate	**591,254**	552,965
Expenses not deductible for tax purposes	**13,213**	27,242
Income not subject to tax	**(33,352)**	(31,587)
Profits attributable to a joint venture and an associate	**(2,837)**	(860)
Adjustment on current income tax in respect of prior years	**(20,056)**	1,951
Unrecognised tax losses	**2,942**	4,006
Additional deductible expense	**(28,060)**	–
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**28,000**	23,750
Income tax expense as reported in the consolidated statement of profit or loss	**551,104**	577,467

The share of tax attributable to an associate and a joint venture amounting to approximately RMB16,000 (2019: Nil) and RMB3,891,000 (2019: RMB438,000), respectively, is included in "Share of profits of an associate" and "Share of profits of a joint venture" in the consolidated statement of profit or loss.

10. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Proposed final dividend – HKD0.31 (2019: HKD0.29) per ordinary share	**494,261**	497,728

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

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

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2020 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	2020 RMB'000	2019 RMB'000
Profit attributable to ordinary equity holders of the parent	**1,647,537**	1,488,736

	2020	2019
Weighted average number of ordinary shares in issue outstanding during the year, used in the basic earnings per share calculation	**1,716,304,580**	1,716,304,580
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	85,501
Weighted average number of ordinary shares for diluted earnings per share	**1,716,304,580**	1,716,390,081

	2020 RMB	2019 RMB
Basic and diluted earnings per share	**0.96**	0.87

For the year ended 31 December 2020, the unvested share options under the Share Option Scheme had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. The Group had no other potentially dilutive ordinary shares in issue during the year ended 31 December 2020.

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2020

	Transportation equipment RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Medical equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020:								
Cost	15,158	33,947	328,407	574,738	27,324	1,174,379	93,310	2,247,263
Accumulated depreciation	(3,623)	(7,613)	(27,236)	(57,209)	(8,641)	(20,381)	–	(124,703)
Net carrying amount	11,535	26,334	301,171	517,529	18,683	1,153,998	93,310	2,122,560
At 1 January 2020, net of accumulated depreciation	11,535	26,334	301,171	517,529	18,683	1,153,998	93,310	2,122,560
Additions	2,687	8,267	57,161	59,324	31,597	73,472	88,296	320,804
Acquisition of subsidiaries (note 30)	1,989	606	46,414	2,044	876	73,078	1,474	126,481
Depreciation provided during the year	(2,235)	(6,592)	(67,437)	(89,732)	(13,985)	(42,734)	–	(222,715)
Transfers	–	–	–	28,430	3,162	17,108	(48,700)	–
Disposals	(53)	(2)	(70)	(404)	–	–	–	(529)
At 31 December 2020, net of accumulated depreciation	13,923	28,613	337,239	517,191	40,333	1,274,922	134,380	2,346,601
At 31 December 2020:								
Cost	19,742	42,775	431,864	663,776	62,959	1,338,037	134,380	2,693,533
Accumulated depreciation	(5,819)	(14,162)	(94,625)	(146,585)	(22,626)	(63,115)	–	(346,932)
Net carrying amount	13,923	28,613	337,239	517,191	40,333	1,274,922	134,380	2,346,601

As at 31 December 2020, the Group has not obtained the property ownership certificates for buildings with a net book value of RMB552,900,000 (31 December 2019: RMB587,719,000).The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2020.

As at 31 December 2020, no property, plant and equipment (31 December 2019: Nil) were pledged to secure general banking facilities granted to the Group.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2019

	Transportation equipment RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Medical equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019:								
Cost	5,037	12,310	29,811	108,661	16,304	169,434	6,629	348,186
Accumulated depreciation	(2,499)	(3,702)	(7,302)	(60,843)	(2,814)	–	–	(77,160)
Net carrying amount	2,538	8,608	22,509	47,818	13,490	169,434	6,629	271,026
At 1 January 2019, net of accumulated depreciation	2,538	8,608	22,509	47,818	13,490	169,434	6,629	271,026
Additions	1,128	6,653	24,198	64,585	4,449	28,418	113,092	242,523
Acquisition of subsidiaries	8,993	12,423	276,518	428,436	6,571	974,692	23,380	1,731,013
Depreciation provided during the year	(1,124)	(3,952)	(22,296)	(61,216)	(5,827)	(20,381)	–	(114,796)
Transfers	–	2,609	1,870	43,477	–	1,835	(49,791)	–
Disposals	–	(7)	(1,628)	(5,571)	–	–	–	(7,206)
At 31 December 2019, net of accumulated depreciation	11,535	26,334	301,171	517,529	18,683	1,153,998	93,310	2,122,560
At 31 December 2019:								
Cost	15,158	33,947	328,407	574,738	27,324	1,174,379	93,310	2,247,263
Accumulated depreciation	(3,623)	(7,613)	(27,236)	(57,209)	(8,641)	(20,381)	–	(124,703)
Net carrying amount	11,535	26,334	301,171	517,529	18,683	1,153,998	93,310	2,122,560

13 LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38 years to indefinite useful life, and no ongoing payments will be made under the terms of these land leases. The right-of-use land for certain hospitals, allocated from the government, is restricted to change its use nature. Leases of properties generally have lease terms between 2 and 5 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets		
	Property RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2019	22,851	132,134	154,985
Additions	111,685	–	111,685
Acquisition of subsidiaries	–	439,800	439,800
Depreciation charge	(13,890)	(2,643)	(16,533)
As at 31 December 2019 and 1 January 2020	120,646	569,291	689,937
Additions	5,580	11,464	17,044
Acquisition of subsidiaries (Note 30)	–	94,299	94,299
Depreciation charge	(29,871)	(2,643)	(32,514)
Covid-19-related rent concessions from lessors	(5,543)	–	(5,543)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(134)	–	(134)
As at 31 December 2020	90,678	672,411	763,089

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Carrying amount at 1 January	**3,120,242**	1,351,464
New leases	**1,405,563**	2,111,685
Accretion of interest recognised during the year	**102,400**	22,984
Payments	**(2,448,451)**	(365,891)
Covid-19-related rent concessions from lessors	**(5,543)**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(134)**	–
Carrying amount at 31 December	**2,174,077**	3,120,242
Analysed into:		
Current portion	**700,137**	1,200,654
Non-current portion	**1,473,940**	1,919,588

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**102,400**	22,984
Depreciation charge of right-of-use assets	**32,514**	16,533
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	**15,872**	16,492
Total amount recognised in profit or loss	**150,786**	56,009

(d) The total cash outflow for leases is disclosed in note 31 (b) to the financial statements.

The Group as a lessor

The Group leases its buildings and medical equipment under operating lease arrangements.The arrangements of medical equipment ended in 2019 and rental income of medical equipment leases recognised during 2019 was RMB7,207,000, details of which are included in note 5 to the financial statements.

14. GOODWILL

	RMB'000
At 1 January 2019:	
Cost	9,211
Accumulated impairment	–
Net carrying amount	9,211
Cost at 1 January 2019, net of accumulated impairment	9,211
Acquisition of subsidiaries	60,697
Cost and net carrying amount at 31 December 2019	69,908
At 31 December 2019:	
Cost	69,908
Accumulated impairment	–
Net carrying amount	69,908
Cost at 1 January 2020, net of accumulated impairment	**69,908**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2020	**69,908**
At 31 December 2020:	
Cost	**69,908**
Accumulated impairment	**–**
Net carrying amount	**69,908**

Goodwill acquired through business combinations is allocated to each of the acquired subsidiaries which are the cash-generating units ("CGUs") for impairment testing within the hospital group business.

The recoverable amount of CGUs has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period which can be justified approved by senior management. The post-tax discount rate applied to the cash flow projections is 15%.The implied pre-tax discount rate for the cash flow projections is 12.66% to 15% (2019: 12.63% to 15%). As at 31 December 2020, the Group assessed the impairment of goodwill and the recoverable amount exceeded the carrying amount, and hence the goodwill was not regarded as impaired (2019: Nil).

14. GOODWILL (CONTINUED)

Assumptions were used in the value in use calculation of the CGUs for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flows projections to undertake impairment testing of goodwill.

Budgeted gross margin – the basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvement, and expected market development.

Discount rate – the discount rate used reflects specific risks relating to the unit. The values assigned to the key assumptions on market development, and the discount rate are comparable to external information sources.

15. INVESTMENT IN A JOINT VENTURE

	2020	2019
	RMB'000	RMB'000
Share of net assets	**509,931**	498,846
Unpaid consideration	**(54,039)**	(54,039)
Carrying amount of the investment	**455,892**	444,807

Particulars of the Group's joint venture are as follows:

Company name	Place of incorporation/ registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
四川環康醫院管理有限公司 (Sichuan Huankang Hospital Management Co., Ltd.)	PRC/Mainland China	53.30%	53.30%	Hospital management

Under a joint venture agreement with a joint venture partner of Panzhihua Iron and Steel (Group) Company Limited and Panzhihua Pangang Group Mining Company dated 30 September 2019, both parties have agreed to share the control over the economic activities of Sichuan Huankang Hospital Management Co., Ltd. amongst the joint venture partners.

15. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The following table illustrates the summarised financial information in respect of Sichuan Huankang Hospital Management Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2020 RMB'000	2019 RMB'000
Non-current assets	**340,007**	343,905
Cash and cash equivalents	**50**	756
Current assets	**624,395**	647,114
Current liabilities	**(7,733)**	(55,853)
Non-current liabilities	**–**	–
Net assets	**956,719**	935,922
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**53.30%**	53.30%
Group's share of net assets of the joint venture, excluding excess of consideration over share of net assets acquired	**509,931**	498,846
Unpaid consideration	**(54,039)**	(54,039)
Carrying amount of the investment	**455,892**	444,807

15. INVESTMENT IN A JOINT VENTURE (CONTINUED)

	2020 RMB'000	2019 RMB'000
For the period after the Group's investment:		
Revenue	**28,456**	2,096
Administrative expenses	**(6,675)**	(293)
Other expenses	**(13)**	(4)
Profit and total comprehensive income for the period after the Group's investment	**20,797**	5,293

16. INVESTMENT IN AN ASSOCIATE

	2020 RMB'000	2019 RMB'000
Share of net assets	**4,215**	4,198
	4,215	4,198

The following table illustrates the summarised financial information of the associate.

	2020 RMB'000	2019 RMB'000
Carrying amount of the investment	**4,215**	4,198
Share of the associate's profit for the period after the Group's investment	**262**	619

17. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2020 Assets RMB'000	2020 Liabilities RMB'000	2019 Assets RMB'000	2019 Liabilities RMB'000
Forward currency contracts	a	**9,173**	**366,778**	212,471	22,739
Interest rate swaps	b	**–**	**27,162**	133	41,591
Non-deliverable currency options	c	**–**	**–**	–	1,219
Cross-currency interest rate swaps	d	**–**	**19,393**	7,661	–
		9,173	**413,333**	220,265	65,549
Portion classified as non-current:					
Forward currency contracts		**–**	**73,639**	32,623	20,367
Interest rate swaps		**–**	**2,611**	133	25,629
		–	**76,250**	32,756	45,996
Current portion		**9,173**	**337,083**	187,509	19,553

Cash flow hedge under HKFRS 9

During the year, the Group designated 5 (2019: 43) foreign exchange rate contracts, 2 (2019: 5) interest rate swap contracts and 4 (2019: Nil) cross-currency interest rate swaps as hedges for future cash flows arising from borrowings which will be settled in United States Dollars and Hong Kong Dollars.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the forward currency contracts, interest rate swaps contracts and cross-currency interest rate swaps match the terms of the bank loans (i.e., notional amount, expected payment date and interest rate). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the forward currency contracts, interest rate swap contracts and cross-currency interest rate swaps are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

The Group holds forward currency contracts, with (i) a negative net fair value of RMB360,233,000 (31 December 2019: a net fair value of RMB151,073,000) and a total notional amount of USD1,037,600,000 (31 December 2019: USD1,288,700,000); (ii) a net fair value of RMB9,173,000 (31 December 2019: a net fair value of RMB11,740,000) and a total notional amount of HKD924,677,000 (31 December 2019: HKD2,600,213,000). These forward currency contracts were designated as hedging instruments in cash flow hedges of currency risks arising from bank loans denominated in United States Dollars and Hong Kong Dollars.

The Group holds interest rate swaps contracts, with (i) a negative net fair value of RMB25,347,000 (31 December 2019: a negative net fair value of RMB41,584,000), and a total notional amount of USD264,000,000 (31 December 2019: USD455,000,000) whereby the Group pays a fixed rate of interest on the USD notional amount at 1.76% to 4.06% per annum. The swaps are being used to hedge the interest rate exposure of four floating rate long-term borrowings denominated in United States Dollars with the total face value of USD264,000,000 (31 December 2019: USD455,000,000); (ii) a negative net fair value of RMB1,815,000 (31 December 2019: Nil), and a total notional amount of HKD390,000,000 (31 December 2019: Nil) whereby the Group pays a fixed rate of interest on the HKD notional amount at 2.47% per annum. The swaps are being used to hedge the interest rate exposure of one floating rate long-term borrowing denominated in Hong Kong Dollars with the total face value of HKD390,000,000 (31 December 2019: Nil).

The Group holds cross-currency interest rate swaps, with a negative net fair value of RMB19,393,000 (31 December 2019: Nil), and a total notional amount of USD30,000,000 (31 December 2019: Nil) whereby the Group pays a fixed rate of interest on the USD notional amount at 3.50% per annum. These swaps were designated as hedging instruments in cash flow hedges of currency risks arising from bank loans denominated in United States Dollars and are being used to hedge the interest rate exposure of one floating rate long-term borrowing denominated in United States Dollars with the total face value of USD30,000,000 (31 December 2019: Nil).

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following forward currency contracts, interest rate swap contracts and cross-currency interest rate swaps:

	Maturity Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2020							
Forward currency contracts							
Notional amount (in USD'000)	**55,550**	**50,000**	**664,550**	**–**	**197,500**	**70,000**	**1,037,600**
Average forward rate (USD/RMB)	**7.02**	**7.08**	**7.02**	**–**	**7.07**	**7.42**	
Notional amount (in HKD'000)	**–**	**–**	**924,677**	**–**	**–**	**–**	**924,677**
Average forward rate (HKD/USD)	**–**	**–**	**7.84**	**–**	**–**	**–**	
Interest rate swap contracts							
Notional amount (in USD'000)	**–**	**–**	**215,000**	**–**	**–**	**49,000**	**264,000**
Average fixed rate	**–**	**–**	**4.02%**	**–**	**–**	**1.76%**	
Notional amount (in HKD'000)	**–**	**–**	**–**	**–**	**390,000**	**–**	**390,000**
Average fixed rate	**–**	**–**	**–**	**–**	**2.47%**	**–**	
Cross-currency interest rate swaps							
Notional amount (in USD'000)	**–**	**30,000**	**–**	**–**	**–**	**–**	**30,000**
Average forward rate (USD/RMB)	**–**	**7.09**	**–**	**–**	**–**	**–**	
Average fixed rate	**–**	**3.50%**	**–**	**–**	**–**	**–**	
Hedge rate	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	

	Maturity Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2019							
Forward currency contracts							
Notional amount (in USD'000)	5,550	–	5,550	530,000	660,100	87,500	1,288,700
Average forward rate (USD/RMB)	7.05	–	7.06	6.75	7.06	7.22	
Notional amount (in HKD'000)	–	–	–	1,675,536	924,677	–	2,600,213
Average forward rate (HKD/USD)	–	–	–	7.84	7.84	–	
Interest rate swap contracts							
Notional amount (in USD'000)	–	–	–	240,000	215,000	–	455,000
Average fixed rate	–	–	–	4.18%	4.02%	–	
Hedge rate	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount USD/HKD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value RMB'000
As at 31 December 2020				
Forward currency contracts (USD/RMB)	**1,037,600**	**(360,233)**	**Derivative financial instruments (liabilities)**	**(511,306)**
Forward currency contracts (HKD/USD)	**924,677**	**9,173**	**Derivative financial instruments (assets)**	**(2,567)**
Interest rate swaps (in USD'000)	**264,000**	**(25,347)**	**Derivative financial instruments (liabilities)**	**16,237**
Interest rate swaps (in HKD'000)	**390,000**	**(1,815)**	**Derivative financial instruments (liabilities)**	**(1,815)**
Cross-currency interest rate swaps (USD/RMB)	**30,000**	**(19,393)**	**Derivative financial instruments (liabilities)**	**(19,393)**
As at 31 December 2019				
Forward currency contracts (USD/RMB)	850,000	172,169	Derivative financial instruments (assets)	138,873
Forward currency contracts (USD/RMB)	438,700	(21,096)	Derivative financial instruments (liabilities)	(21,096)
Forward currency contracts (HKD/USD)	2,600,213	11,740	Derivative financial instruments (assets)	11,740
Interest rate swaps	455,000	(41,584)	Derivative financial instruments (liabilities)	(41,584)

The impacts of the hedged items on the statement of financial position are as follows:

	Cash flow hedge reserve	
	2020 RMB'000	2019 RMB'000
Unsecured bank loans	**(440,207)**	179,266

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

Year ended 31 December 2020

	Total hedging gain/loss recognised in other comprehensive income			Amount reclassified from other comprehensive income to profit or loss			Line item in the statement of profit or loss
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	
Forward currency contracts	**(513,873)**	**117,867**	**(396,006)**	**601,702**	**(136,987)**	**464,715**	**Other expense**
Interest rate swaps	**14,422**	**–**	**14,422**	**–**	**–**	**–**	**N/A**
Cross-currency interest rate swaps	**(19,393)**	**4,848**	**(14,545)**	**17,771**	**(4,443)**	**13,328**	**Other expense**
Total	**(518,844)**	**122,715**	**(396,129)**	**619,473**	**(141,430)**	**478,043**	

Year ended 31 December 2019

	Total hedging gain/(loss) recognised in other comprehensive income			Amount reclassified from other comprehensive income to profit or loss			Line item in the statement of profit or loss
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	
Forward currency contracts	129,517	(25,385)	104,132	(56,793)	8,250	(48,543)	Finance cost
Interest rate swaps	(41,584)	–	(41,584)	–	–	–	N/A
Total	87,933	(25,385)	62,548	(56,793)	8,250	(48,543)	

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments – transactions not qualifying as hedges:

a) Forward currency contracts with a total nominal amount of USD600,000,000 are not designated for hedge purposes and are measured at fair value through profit or loss. An unrealised loss on the fair value of these financial derivatives amounting to RMB81,845,000 (2019: a gain of RMB13,446,000) was included in the statement of profit or loss during the year ended 31 December 2020.

b) As at 31 December 2019, interest rate swaps with a total nominal amount of RMB124,000,000 were not designated for hedge purposes and were measured at fair value through profit or loss. These swaps ended during the year.

c) As at 31 December 2019, non-deliverable currency options with a total nominal of amount USD295,000,000 were not designated for hedge purposes and were measured at fair value through profit or loss. These options ended during the year.

d) As at 31 December 2019, cross-currency interest rate swaps with a total nominal of amount USD30,000,000 were not designated for hedge purposes and were measured at fair value through profit or loss. These swaps ended during the year.

18. INVENTORIES

	2020 **RMB'000**	2019 RMB'000
Finished goods	**198,034**	156,726

19. LOANS AND ACCOUNTS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Loans and accounts receivables due within 1 year	**18,662,682**	16,123,097
Loans and accounts receivables due after 1 year	**35,532,729**	33,408,641
	54,195,411	49,531,738

19a. Loans and accounts receivables by nature

	2020 RMB'000	2019 RMB'000
Gross lease receivables (note 19b)*	**22,025,928**	34,361,725
Less: Unearned finance income	**(2,597,394)**	(4,474,394)
Net lease receivables (note 19b) */**	**19,428,534**	29,887,331
Long-term receivables arising from sale-and-leaseback arrangements (note 19c)**	**34,945,806**	19,898,308
Factoring receivable (note 19d)**	**275,882**	–
Subtotal of interest-earning assets	**54,650,222**	49,785,639
Accounts receivables (note 19e)*	**687,994**	666,309
Notes receivables (note 19f)	**430**	–
Subtotal of loans and accounts receivables	**55,338,646**	50,451,948
Less:		
Provision of lease receivables (note 19g)	**(715,515)**	(689,052)
Provision for long-term receivables arising from sale-and-leaseback arrangements (note 19g)	**(407,839)**	(196,323)
Provision of factoring receivables (note 19g)	**(2,703)**	–
Provision of accounts receivables (note 19e)	**(17,178)**	(34,835)
	54,195,411	49,531,738

* These balances included balances with related parties which are disclosed in note 19i to the financial statements.

** These balances are included in the interest-earning assets disclosed in note 19g.

19. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

19b(1). An ageing analysis of the lease receivables, determined based on the age of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
Gross lease receivables:		
Within 1 year	**–**	–
1 to 2 years	**–**	16,980,689
2 to 3 years	**10,995,409**	9,524,527
3 years and beyond	**11,030,519**	7,856,509
	22,025,928	34,361,725

	2020 RMB'000	2019 RMB'000
Net lease receivables:		
Within 1 year	**–**	–
1 to 2 years	**–**	14,452,050
2 to 3 years	**9,698,939**	8,344,531
3 years and beyond	**9,729,595**	7,090,750
	19,428,534	29,887,331

19. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

19b(2). The table below illustrates the gross and net amounts of the lease receivables the Group expects to receive in the following three consecutive accounting years:

	2020 **RMB'000**	2019 RMB'000
Gross lease receivables:		
Due within 1 year	**10,856,003**	13,520,871
Due in 1 to 2 years	**7,429,166**	10,189,446
Due in 2 to 3 years	**3,252,150**	6,896,503
Due after 3 years and beyond	**488,609**	3,754,905
	22,025,928	34,361,725

	2020 **RMB'000**	2019 RMB'000
Net lease receivables:		
Due within 1 year	**9,219,306**	11,474,588
Due in 1 to 2 years	**6,714,139**	8,709,385
Due in 2 to 3 years	**3,037,926**	6,197,283
Due after 3 years and beyond	**457,163**	3,506,075
	19,428,534	29,887,331

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

As at 31 December 2020, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB2,303,825,000 and RMB2,084,462,000 (As at 31 December 2019: RMB6,238,432,000 and RMB5,500,055,000), respectively.

19. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

19c(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:

	2020 RMB'000	2019 RMB'000
Within 1 year	**19,895,124**	19,898,308
1 to 2 years	**15,050,682**	–
	34,945,806	19,898,308

19c(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:

	2020 RMB'000	2019 RMB'000
Due within 1 year	**9,049,697**	4,404,034
Due in 1 to 2 years	**8,618,269**	4,386,836
Due in 2 to 3 years	**7,987,677**	4,166,812
Due after 3 years and beyond	**9,290,163**	6,940,626
	34,945,806	19,898,308

As at 31 December 2020, 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 RMB3,679,898,000 (31 December 2019: RMB1,508,560,000).

19. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

19d. An ageing analysis of the factoring receivables, determined based on the age of the receivables since the recognition date of the factoring receivables, as at the end of the year is as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**275,882**	–
	275,882	–

19e(1). An ageing analysis of the accounts receivable, determined based on the age of the receivables since the recognition date of the accounts receivable, as at the end of the year is as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**646,991**	646,182
More than 1 year	**41,003**	20,127
	687,994	666,309

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

19. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

19e(2). Provision for accounts receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns.

Set out below is the information about the credit risk exposure on the Group's accounts receivables using a provision matrix:

As at 31 December 2020

	Ageing		
	Within 1 year RMB'000	Over 1 years RMB'000	Total RMB'000
Gross carrying amount	**646,991**	**41,003**	**687,994**
Expected credit loss	**4,332**	**12,846**	**17,178**
Average expected credit loss rate	**1%**	**31%**	**2%**

19f. An ageing analysis of the notes receivable, determined based on the age of the receivables since the recognition date of the notes receivable, as at the end of the year is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**430**	–
	430	–

19. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

19g. Analysis of interest-earning assets

As at 31 December 2020	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs-impaired) RMB'000	Total RMB'000
Total interest-earning assets	**45,008,862**	**9,093,464**	**547,896**	**54,650,222**
Allowance for impairment losses	**(498,020)**	**(393,522)**	**(234,515)**	**(1,126,057)**
Interest-earning assets, net	**44,510,842**	**8,699,942**	**313,381**	**53,524,165**

As at 31 December 2019	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs-impaired) RMB'000	Total RMB'000
Total interest-earning assets	40,200,852	9,138,659	446,128	49,785,639
Allowance for impairment losses	(403,611)	(303,539)	(178,225)	(885,375)
Interest-earning assets, net	39,797,241	8,835,120	267,903	48,900,264

19h. Movements in provision for interest-earning assets

The Group has applied the general approach to providing for expected credited losses (“ECLs”), 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-earning assets.

The Group has conducted an assessment of ECLs 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 ECLs 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 ECLs and forward-looking information.

19. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

19h. Change in provision for interest-earning assets (continued)

In response to the covid-19 pandemic, the Group has rolled out certain relief measures on a commercial basis to customers impacted by the coronavirus to support their immediate cash flows and liquidity by a offering principal moratorium or tenor extension. Because of the relief measure, the Group may not have the same level of credit risk information about repayment records as compared to what they had in the past. Therefore, the Group extended its effort done to obtain additional information for credit assessment, including those in covid-19 vulnerable sectors. The Group has paid special attention to the application of macroeconomic data and forward-looking information to ensure that the effect of covid-19 has been sufficiently reflected.

	2020			
	Stage I (12-month ECLs) RMB'000	**Stage II (Lifetime ECLs) RMB'000**	**Stage III (Lifetime ECLs-impaired) RMB'000**	**Total RMB'000**
At beginning of the year	**403,611**	**303,539**	**178,225**	**885,375**
Impairment losses for the year	**121,953**	**25,324**	**135,091**	**282,368**
Conversion to Stage I	**32,248**	**(32,248)**	**–**	**–**
Conversion to Stage II	**(59,792)**	**109,492**	**(49,700)**	**–**
Conversion to Stage III	**–**	**(12,585)**	**12,585**	**–**
Reversal	**–**	**–**	**(41,686)**	**(41,686)**
At end of the year	**498,020**	**393,522**	**234,515**	**1,126,057**

	2019			
	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs-impaired) RMB'000	Total RMB'000
At beginning of the year	388,859	174,194	122,242	685,295
Impairment losses for the year	44,831	65,576	89,673	200,080
Conversion to Stage I	52,621	(52,621)	–	–
Conversion to Stage II	(82,700)	121,369	(38,669)	–
Conversion to Stage III	–	(4,979)	4,979	–
At end of the year	403,611	303,539	178,225	885,375

19. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

19i. BALANCES WITH RELATED PARTIES

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

Gross lease receivables:

		2020 RMB'000	2019 RMB'000
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	(i)	–	1,245

Net lease receivables:

		2020 RMB'000	2019 RMB'000
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	(i)	–	1,188

Accounts receivables:

		2020 RMB'000	2019 RMB'000
China National Instruments Import & Export (Group) Corporation	(ii)	**1,805**	1,805

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

(i) As at 31 December 2019, the balances of the net lease receivables bore interest at an annual interest rate of 8.69%.

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	**2020 RMB'000**	2019 RMB'000
Current:			
Prepayments		**37,979**	17,820
Other receivables		**184,824**	288,669
Other current assets		**20,102**	3,353
Due from related parties	20a	**1,809**	1,874
Interest receivables		**13,688**	8,354
		258,402	320,070
Non-current:			
Prepayments for non-current assets		**36,670**	12,313
Other receivables for non-current assets		**12,040**	–
		48,710	12,313
		307,112	332,383

20a. BALANCES WITH RELATED PARTIES

Particulars of amounts due from related parties are as follows:

	2020 RMB'000	2019 RMB'000
Due from related parties:		
Genertec Finance Co., Ltd.	**373**	429
General Technology Group Property Management Ltd.	**–**	1,011
China National Corporation For Overseas Economic Cooperation	**–**	112
China National Instruments Import & Export (Group) Corporation	**1,133**	–
Paryocean Properties Co., Ltd.	**303**	322
	1,809	1,874

The above related parties are subsidiaries of Genertec Group.

The balances with the related parties are unsecured and interest-free.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2020 **RMB'000**	2019 RMB'000
Cash and bank balances	**2,456,736**	3,679,376
Time deposits	**247,500**	247,500
	2,704,236	3,926,876
Less: Restricted deposits:		
Pledged deposits and restricted bank deposits	**(420,201)**	(293,509)
Time deposits with original maturity of more than three months	**(247,500)**	(247,500)
	(667,701)	(541,009)
Cash and cash equivalents	**2,036,535**	3,385,867

As at 31 December 2020, the cash and bank balances of the Group denominated in RMB amounted to RMB2,422,550,000 (31 December 2019: RMB3,126,757,000). RMB is freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2020, cash of RMB420,201,000 (31 December 2019: RMB293,509,000) was pledged and restricted for bank and other borrowings.

As at 31 December 2020, cash of RMB1,125,850,000 (31 December 2019: RMB997,959,000) was deposited with Genertec Finance Co., Ltd., a related party.

22. TRADE PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**866,823**	1,289,265
Due to related parties (note 22b)	**1,573**	171
	868,396	1,289,436

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

22a. An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**824,326**	1,260,601
1 to 2 years	**21,204**	6,213
2 to 3 years	**1,263**	495
Over 3 years	**21,603**	22,127
	868,396	1,289,436

22b. BALANCES WITH RELATED PARTIES

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

	2020 RMB'000	2019 RMB'000
Trade payables:		
Genertec International Logistics Co., Ltd.	**88**	87
Genertec Italia s.r.l.	**1,150**	84
Genertec Europe Temax GmbH	**335**	–
	1,573	171

The above related parties are subsidiaries of Genertec Group.

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

23. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Current:			
Lease deposits due within one year		**588,421**	353,029
Accrued salaries		**211,514**	278,047
Welfare payables		**37,883**	10,020
Current portion of post-retirement benefit obligation	26	**7,474**	7,609
Contract liabilities	23a	**162,899**	134,284
Due to related parties	23b	**456,181**	663,604
Other taxes payable		**56,343**	47,953
Interest payable		**251,670**	278,556
Other payables		**418,518**	614,624
		2,190,903	2,387,726
Non-current:			
Lease deposits due after 1 year		**2,266,648**	2,001,420
Accrued salaries		**655,390**	494,424
Non-current post-employment benefit obligation	26	**87,425**	89,817
Deferred revenue		**9,183**	–
		3,018,646	2,585,661
		5,209,549	4,973,387

23. OTHER PAYABLES AND ACCRUALS (CONTINUED)

23a. Details of contract liabilities are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Service fee income	**51,959**	35,560	23,134
Sale of finished goods	**19,175**	7,751	17,048
Healthcare service	**91,765**	90,973	–
	162,899	134,284	40,182

Contract liabilities include short-term advances received to deliver goods and render services.

23b. BALANCES WITH RELATED PARTIES

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

		2020 RMB'000	2019 RMB'000
Due to related parties			
Genertec Hong Kong International Capital Limited	(i)	**7,594**	17,956
China General Technology (Group) Holding Limited	(i)	**5,464**	200,000
Sichuan Huankang Hospital Management Co., Ltd.	(ii)	**443,123**	445,648
		456,181	663,604

(i) The above related parties are subsidiaries of Genertec Group. The balances with related parties were unsecured and repayable based on the payment schedule agreed between the Group and the parties.

(ii) The above related party is a joint venture of the Group. The balance with a related party was unsecured and repayable based on the payment schedule agreed between the Group and the related party.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans						
– secured	**3.95**	**2021**	**10,000**	–	–	–
– unsecured	**1.08~4.57**	**2021**	**2,306,909**	2.73~4.57	2020	2,578,394
Current portion of long-term bank loans:						
– secured	**3.98~5.51**	**2021**	**1,355,840**	4.50~5.51	2020	880,540
– unsecured	**1.55~4.75**	**2021**	**5,439,223**	2.00~5.94	2020	5,607,520
Lease liabilities						
– secured	**3.85~5.04**	**2021**	**659,853**	4.75~5.04	2020	1,157,341
– unsecured	**4.75~4.90**	**2021**	**40,284**	4.75~4.90	2020	43,313
Bonds payables						
– secured	**–**	**–**	**–**	5.50~6.43	2020	224,088
– unsecured	**1.65~6.29**	**2021**	**6,344,062**	2.80~3.45	2020	4,000,000
Due to a related party						
– unsecured	**1.89~4.75**	**2021**	**3,694,059**	4.75	2020	495,883
			19,850,230			14,987,079
Non-current:						
Bank loans						
– secured	**3.98~4.99**	**2022~2025**	**1,981,602**	4.50~5.51	2021~2024	1,393,421
– unsecured	**1.64~4.60**	**2022~2023**	**9,215,224**	2.00~5.94	2021~2022	7,619,195
Bonds payable						
– unsecured	**3.40~6.50**	**2022~2025**	**7,211,725**	3.13~6.50	2021~2024	10,585,552
Lease liabilities						
– secured	**3.85~5.04**	**2022~2023**	**1,421,700**	4.75~5.04	2021~2022	1,837,496
– unsecured	**4.75~4.90**	**2022~2024**	**52,240**	4.75~4.90	2021~2023	82,092
Due to a related party						
– unsecured	**4.00**	**2022**	**248,620**	4.35~4.75	2021~2022	1,498,008
			20,131,111			23,015,764
			39,981,341			38,002,843

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

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**9,111,972**	9,066,454
In the second year	**3,942,224**	6,278,205
In the third to fifth years, inclusive	**7,254,602**	2,734,411
	20,308,798	18,079,070
Other borrowings repayable:		
Within one year	**10,738,258**	5,920,625
In the second year	**751,216**	8,997,272
In the third to fifth years, inclusive	**8,183,069**	5,005,876
	19,672,543	19,923,773
	39,981,341	38,002,843

Notes:

(a) In May 2015, the Company's wholly-owned subsidiary, China Universal Leasing Co., Ltd. ("CULC"), issued a batch of leasing asset-backed securities with an aggregate principal amount of RMB1,141,858,000 to institutional investors through an asset management plan. The asset-backed securities have four senior tranches and one subordinated tranche. The Group received proceeds of RMB912,000,000 from the senior tranches which have expected annualised yields ranging from 4.80% to 6.43% and maturity periods from one year to five years. The subordinated tranche amounting to RMB229,858,000 was purchased by CULC itself and thus no proceeds were received. As at 31 December 2020, the debt securities issued was paid up, and the amortised cost of the debt securities issued amounted to nil(31 December 2019: RMB224,088,000).

(b) As at 31 December 2020, the Group's bank and other borrowings secured by loans and accounts receivables, cash and bank balances and time deposits were RMB5,428,995,000 (31 December 2019: RMB5,492,886,000).

(c) As at 31 December 2020, the principal amounts of the Group's borrowings from related parties were RMB2,100,000,000 from China General Technology (Group) Holding Co., Ltd. (PRC) and RMB1,848,237,000 from Genertec HONGKONG International Capital Limited (31 December 2019: RMB1,000,000,000 from China General Technology (Group) Holding Co., Ltd. (PRC) and RMB1,000,000,000 from Genertec HONGKONG International Capital Limited).

(d) As at 31 December 2020, China General Technology (Group) Holding Limited provided a comfort letter for bank borrowings in an amount of RMB10,321,427,000 (31 December 2019: RMB10,053,113,000).

25. DEFERRED TAX

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

Deferred tax assets

	Impairment RMB'000	Salary and welfare payable RMB'000	Cash flow hedges RMB'000	Fair value loss on derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2020	**214,061**	**120,963**	**10,423**	**–**	**–**	**345,447**
Credited to the statement of profit or loss during the year	**59,773**	**40,657**	**(11,211)**	**617**	**2,413**	**92,249**
Credited to reserves	**–**	**–**	**788**	**–**	**–**	**788**
Gross deferred tax assets at 31 December 2020	**273,834**	**161,620**	**–**	**617**	**2,413**	**438,484**
Gross deferred tax assets at 1 January 2019	163,451	94,371	20,347	–	–	278,169
Credited to the statement of profit or loss during the year	50,610	26,592	7,211	–	–	84,413
Credited to reserves	–	–	(17,135)	–	–	(17,135)
Gross deferred tax assets at 31 December 2019	214,061	120,963	10,423	–	–	345,447

25. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Lease deposits RMB'000	Cash flow hedges RMB'000	Fair value gain on derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2020	**30,127**	**–**	**4,961**	**1,774**	**36,862**
Charged to the statement of profit or loss during the year	**166**	**(11,276)**	**(4,961)**	**(549)**	**(16,620)**
Credited to reserves	**–**	**19,503**	**–**	**–**	**19,503**
Gross deferred tax liabilities at 31 December 2020	**30,293**	**8,227**	**–**	**1,225**	**39,745**
Gross deferred tax liabilities at 1 January 2019	29,639	–	59	–	29,698
Charged to the statement of profit or loss during the year	488	–	4,902	1,774	7,164
Gross deferred tax liabilities at 31 December 2019	30,127	–	4,961	1,774	36,862

25. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (continued)

For the purpose of presentation of the consolidated statement of financial position, deferred tax assets and liabilities have been offset as the deferred taxes relate to the same taxable entity and the same taxation authority, and net deferred tax assets are presented as follows:

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**398,739**	308,585

The Company has tax losses arising in Hong Kong of RMB137,668,000 (2019: RMB105,133,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB43,808,000 (2019: RMB15,608,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the funds will be retained to expand the operations in Mainland China and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB4,625,562,000 (2019: RMB3,796,256,000).

26. POST-RETIREMENT BENEFIT OBLIGATIONS

The Group provides eligible retirees with other post-retirement benefits, including retirement subsidies, transportation allowance as well as other welfare. The expected cost of providing these post-retirement benefits is actuarially determined and recognised by using the projected unit credit method, which involves a number of assumptions and estimates, including the inflation rate, discount rate, etc.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for pensioners.

The most recent actuarial valuation of the post-retirement benefit obligations was carried out at 31 December 2020 using the projected unit credit actuarial valuation method.

The post-retirement benefit obligations recognised in the consolidated statement of financial position are as follows:

	2020 **RMB'000**	2019 RMB'000
Post-retirement benefit obligations	**94,899**	97,426
Less: current portion	**(7,474)**	(7,609)
Non-current portion	**87,425**	89,817

The principal actuarial assumptions utilised as at the end of the reporting period are as follows:

	2020	2019
Discount rates for post-retirement benefits	**3.35%**	3.20%
Mortality rate	**China Insurance Life Mortality Table (2010-2013). CL5 for Male and CL6 for Female**	China Insurance Life Mortality Table (2010-2013). CL5 for Male and CL6 for Female
Total military welfare expense growth rate	**6.00%**	6.00%
Growth rate of work-related injury and living expenses	**2.50%**	2.50%

26. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

A quantitative sensitivity analysis for significant assumptions at the end of the reporting period is shown below:

2020	**Increase in rate %**	**Increase/ (decrease) in post-retirement benefit obligations RMB'000**	**Decrease in rate %**	**Increase/ (decrease) in post-retirement benefit obligations RMB'000**
Discount rates for post-retirement benefits	**0.25**	**(2,496)**	**0.25**	**2,607**
Annual increase rate of military welfare expense	**0.25**	**768**	**0.25**	**(739)**
Annual increase rate of work-related injury and living expenses	**0.25**	**22**	**0.25**	**(21)**

2019	Increase in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000	Decrease in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000
Discount rates for post-retirement benefits	0.25	(2,551)	0.25	2,665
Annual increase rate of military welfare expense	0.25	778	0.25	(748)
Annual increase rate of work-related injury and living expenses	0.25	36	0.25	(34)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net post-retirement benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

26. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Expected contributions to be made in the future years out of the post-retirement benefit obligations were as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**7,474**	7,609
Between 2 and 5 years	**28,605**	28,412
Between 6 and 10 years	**32,029**	31,900
Over 10 years	**81,879**	82,231
Total expected payments	**149,987**	150,152

The average duration of the post-retirement benefit obligations at the end of 2020 was 11.77 years (2019:10.43 years).

The movements in the post-retirement benefit obligations were as follows:

	RMB'000
1 January 2020	**97,426**
Pension cost charged to profit or loss:	
Past service cost	**(261)**
Net interest	**3,192**
Sub-total included in profit or loss	**2,931**
Remeasurement (gains)/losses in other comprehensive income:	
Changes of the financial assumptions	**(1,550)**
Experience adjustments	**4,276**
Sub-total included in other comprehensive income	**2,726**
Benefits settled	**(8,184)**
31 December 2020	**94,899**

26. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	RMB'000
1 January 2019	–
Acquisition of subsidiaries	96,446
Pension cost charged to profit or loss:	
Net interest	2,337
Sub-total included in profit or loss	2,337
Remeasurement (gains)/losses in other comprehensive income:	
Experience adjustments	3,593
Sub-total included in other comprehensive income	3,593
Benefits settled	(4,950)
31 December 2019	97,426

27. SHARE CAPITAL

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
1,716,304,580 (2019: 1,716,304,580) ordinary shares	**4,327,842**	4,327,842

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Capital reserve

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

Statutory reserve

Pursuant to the relevant laws and regulations and the articles of association of the subsidiaries of the Company in Mainland China, if a subsidiary is registered as a Sino-foreign joint venture, it is required to, at the discretion of the board of directors, transfer a portion of its profits after taxation reported in its statutory financial statements prepared under the applicable PRC accounting standards to the statutory 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 reserve according to the PRC accounting standards and regulations (after offsetting previous years' losses) to the statutory reserve. The PRC subsidiary may discontinue the contribution when the aggregate sum of the statutory reserve is more than 50% of its registered capital. Upon contribution to the statutory reserve using its post-tax profit, a company may make further contributions to the statutory reserve using its post-tax profit in accordance with a resolution of the board of directors. The appropriation to statutory and discretionary 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 reserve after such transfer is not less than 25% of its registered capital.

Exchange fluctuation reserve

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

Share-based compensation reserve

The share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payments under the Share Option Scheme for share options which are yet to be exercised. The amount will either be transferred to the share capital account or shares held for the share award scheme when the related share options are exercised or awards are vested.

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2020	2019
Percentage of equity interest held by non-controlling interest		
Shanxi Yangmei Group General Hospital Medical Management Co., Ltd.	**49.00%**	49.00%
Genertec Ansteel Hospital Management Co., Ltd.	**48.85%**	48.85%

	2020 RMB'000	2019 RMB'000
Profit for the year allocated to non-controlling interests:		
Shanxi Yangmei Group General Hospital Medical Management Co., Ltd.	**16,114**	–
Genertec Ansteel Hospital Management Co., Ltd.	**21,312**	18,741
Accumulated balances of non-controlling interests at the reporting dates:		
Shanxi Yangmei Group General Hospital Medical Management Co., Ltd.	**665,470**	649,356
Genertec Ansteel Hospital Management Co., Ltd.	**515,989**	496,008

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2020	Shanxi Yangmei Group General Hospital Medical Management Co., Ltd. RMB'000	Genertec Ansteel Hospital Management Co., Ltd. RMB'000
Revenue	**904,009**	685,627
Total expenses	**(871,123)**	(643,100)
Profit for the year	**32,886**	42,527
Total comprehensive income for the year	**32,886**	41,709
Current assets	**1,090,257**	632,226
Non-current assets	**721,999**	793,417
Current liabilities	**(446,405)**	(281,159)
Non-current liabilities	**(7,750)**	(88,208)
Net cash flows (used in)/from operating activities	**(736,929)**	34,125
Net cash flows used in investing activities	**(46,992)**	(49,616)
Net cash flows used in financing activities	**–**	(8,091)
Net decrease in cash and cash equivalents	**(783,921)**	(23,582)

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

2019	Shanxi Yangmei Group General Hospital Medical Management Co., Ltd. RMB'000	Genertec Ansteel Hospital Management Co., Ltd. RMB'000
Revenue	–	519,292
Total expenses	–	(481,235)
Profit for the year	–	38,057
Total comprehensive income for the year	–	34,464
Current assets	1,313,180	605,979
Non-current assets	720,392	790,315
Current liabilities	(708,357)	(290,809)
Non-current liabilities	–	(89,547)
Net cash flows used in operating activities	–	(462,268)
Net cash flows used in investing activities	–	(34,970)
Net cash flows from financing activities	–	522,192
Net increase in cash and cash equivalents	–	24,954

30. BUSINESS COMBINATIONS

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

On 31 January 2020, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 81.51% equity interest in Chengdu Genertec Jindian Hospital Management Co., Ltd. at a consideration of RMB8,966,000. Upon completion of the transaction, Chengdu Genertec Jindian Hospital Management Co., Ltd. is the promoter of Chengdu CEC Jinjiang Industry Company Hospital.

During the year, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 51% equity interest in Genertec CREC (Beijing) Hospital Management Co., Ltd. at a consideration of RMB230,353,000. Upon completion of the transaction, Genertec CREC (Beijing) Hospital Management Co.,Ltd. is the promoter of the six medical institutions. The acquisitions of five medical Institutions among them were completed on 30 April 2020, 31 July 2020 and 30 September 2020, respectively.

On 31 May 2020, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 51% equity interest in Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd. at a consideration of RMB19,776,000. Upon completion of the transaction, Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd. is the promoter of NORINCO Xi'an Hospital.

On 31 August 2020, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 70% equity interest in Genertec Universal Chinacoal (Handan) Hospital Management Co., Ltd. at a consideration of RMB35,628,000. Upon completion of the transaction, Genertec Universal Chinacoal (Handan) Hospital Management Co., Ltd. is the promoter of Chinacoal Staff Hospitals.

On 31 December 2020, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 51% equity interest in Shaanxi CREC Elderly Care Management Co., Ltd at a consideration of RMB24,494,000.

30. 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
Assets	
Property, plant and equipment (note 12)	126,481
Right-of-use assets (note 13 (a))	94,299
Cash and cash equivalents	113,573
Loans and accounts receivables	36,174
Prepayments, deposits and other receivables	28,635
Receivable of consideration to be paid as capital injection	268,626
Inventories	17,798
Other assets	1,540
	687,126
Liabilities	
Trade payables	(78,392)
Other payables and accruals	(59,546)
	(137,938)
Total identifiable net assets at fair value	549,188
Non-controlling interests	(256,068)

30. BUSINESS COMBINATIONS (CONTINUED)

	Fair value recognised on acquisition RMB'000
Purchase consideration transferred	
Including:	
Consideration paid as additional capital injection to the subsidiaries upon acquisition	24,494
Consideration paid as additional capital injection to the subsidiaries after acquisition	76,287
Consideration unpaid as additional capital injection to the subsidiaries after acquisition	192,339
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiaries included in cash flows from investing activities	113,573
Cash paid	(24,494)
Net inflow of cash and cash equivalents included in cash flows from investing activities	89,079
Transaction costs of the acquisition included in cash flows from operating activities	463

If the acquisition had taken place at the beginning of the year, revenue of the Group would have been RMB8,674,156,000 and net profit of the Group for the year would have been RMB1,809,561,000.

The fair values of the loans and accounts receivables and prepayments, deposits and other receivables as at the dates of acquisitions amounted to RMB36,174,000 and RMB28,635,000, respectively. The gross contractual amount of loans and accounts receivables was RMB42,085,000, of which RMB5,911,000 was expected to be uncollectible. The gross contractual amount of prepayments, deposits and other receivables was RMB30,456,000, of which RMB1,821,000 was expected to be uncollectible.

The Group incurred transaction costs of RMB463,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	Bonds RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000
At 1 January 2020	**18,079,070**	**14,809,640**	**3,120,242**	**1,993,891**
Proceeds from new borrowings	**13,036,668**	**11,780,000**	**1,400,000**	**2,949,615**
New leases	**–**	**–**	**5,563**	**–**
Foreign exchange movement	**(765,751)**	**–**	**–**	**(1,378)**
Repayment of borrowings	**(10,118,447)**	**(13,034,523)**	**(2,332,706)**	**(1,200,000)**
Covid-19-related rent concessions from lessors	**–**	**–**	**(5,543)**	**–**
Revision of a lease term arsing from a change in the non-cancellable period of a lease	**–**	**–**	**(134)**	**–**
Interest expense	**71,700**	**670**	**102,400**	**206,109**
Interest paid	**–**	**–**	**(115,745)**	**–**
At 31 December 2020	**20,303,240**	**13,555,787**	**2,174,077**	**3,948,237**

	Bank and other loans RMB'000	Bonds RMB'000	Finance lease payables/Lease liabilities RMB'000	Due to related parties RMB'000
At 31 December 2018	16,894,053	12,764,358	1,328,613	1,994,965
Effective of adoption of HKFRS16	–	–	22,851	–
At 1 January 2019	16,894,053	12,764,358	1,351,464	1,994,965
Proceeds from new borrowings	12,749,353	14,680,460	2,000,000	1,000,000
Acquisition of subsidiaries	149,500	–	–	–
Foreign exchange movement	252,514	–	–	–
Repayment of borrowings	(11,988,461)	(12,642,938)	(365,891)	(1,000,000)
Interest expense	22,111	7,760	134,669	(1,074)
At 31 December 2019	18,079,070	14,809,640	3,120,242	1,993,891

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**15,872**	16,492
Within financing activities	**932,706**	1,634,109
	948,578	1,650,601

32. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 19, 21 and 24 to the financial statements.

33. COMMITMENTS

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

(a) Capital commitments

	2020 **RMB'000**	2019 RMB'000
Contracted, but not provided for	**1,584,121**	41,158

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

As of 31 December 2020, the Group had invested RMB89,437,000 to establish the project company, Xi'an Ronghui Hospital Construction Management Co., Ltd., and 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. As of 31 December 2020, the Group had invested RMB12,768,000 to the project.

(b) Credit commitments

	2020 **RMB'000**	2019 RMB'000
Credit commitments	**568,952**	1,411,699

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

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 19, 20, 21, 22, 23 and 24 to the financial statements, the Group had the following material transactions with related parties during the year.

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

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

The companies under Genertec Group which had transactions with the Group during the year are subsidiaries of Genertec Group.

(i) Interest income from cash at banks:

	2020 **RMB'000**	2019 RMB'000
Genertec Finance Co., Ltd.	**14,766**	8,515

The interest was charged at rates ranging from 0.46% to 1.73% (2019: 0.46% to 1.26%) per annum.

(ii) Purchases of goods from related parties:

	2020 **RMB'000**	2019 RMB'000
China National Instruments Import & Export (Group) Corporation	**–**	2,251
China International Advertising Co., Ltd	**–**	4
China MEHECO Co., Ltd.	**498**	–
China MEHECO Med-tech Service CO., LTD.	**49**	–
Genertec America, INC	**391**	–
Genertec Europe TEMAX GMBH	**529**	–
Genertec Italia s.r.l.	**5,959**	2,073

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iii) Rental as a lessee:

	2020 RMB'000 (rental payment)	2019 RMB'000 (rental payment)
China General Technology (Group) Holding Co., Ltd.	**2,262**	3,194
China National Instruments Import & Export (Group) Corporation	**262**	–
General Technology Group Property Management Ltd.	**6,745**	11,569
China National Corporation For Overseas Economic Cooperation	**413**	1,135
Beijing Mingqiang Property Management Ltd.	**26**	–
Paryocean Properties Co., Ltd.	**1,294**	1,270

The rentals are charged based on terms mutually agreed between the Group and the respective parties.

(iv) Interest expenses:

	2020 RMB'000	2019 RMB'000
China General Technology (Group) Holding Co., Ltd.	**48,361**	44,766
Genertec Hong Kong International Capital Limited	**40,687**	16,939
Genertec Finance Co., Ltd.	**–**	34,812
Sichuan Huankang Hospital Management Co., Ltd.	**12,951**	3,892

The interest expenses were charged at rates ranging from 1.89% to 4.75% (2019: 3.20% to 4.75%) per annum.

34. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(v) *Consulting service fees:*

	2020 RMB'000	2019 RMB'000
Genertec (UK) Limited	**73**	–

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

(vi) *Transportation expense:*

	2020 RMB'000	2019 RMB'000
Genertec International Logistics Co., Ltd.	**384**	27

The transportation expense was charged based on prices mutually agreed between the parties.

(vii) *Sales of goods to related parties:*

	2020 RMB'000	2019 RMB'000
Genertec Italia s.r.l.	**3,321**	–
Genertec Finance Co., Ltd	**1**	–
China National Corporation For Overseas Economic Cooperation	**6**	–
China National Machinery IMP.&EXP.Corp.	**74**	–
CHINA P&T APPLIANCES	**17**	–
China General Consulting & Investment Co., Ltd.	**3**	–
China Xinxing Group Co.,Ltd.	**9**	–
Qiqihar No.2 Machine Tool (Group) Co., Ltd.	**201**	–
Shenyang Machine Tool Co,. Ltd	**8**	–
China General Technology (Group) Holding., Limited	**29**	–

The sales of goods were charged based on prices mutually agreed between the parties.

34. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(viii) Finance lease income:

	2020 **RMB'000**	2019 RMB'000
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	–	152

In 2019, the finance lease income was calculated at a rate of 8.69% per annum.

(ix) Liquidity support

A subsidiary of Genertec Group, China Xinxing Construction Engineering Co., Ltd., issued accounts receivables asset-backed securities to institutional investors through an asset management plan in January 2020. The asset-backed securities have a preference tranche with a principal amount of RMB495 million and one subordinated tranche. Preference tranche is estimated to mature on 14 December 2021. As of 31 December 2020, the principal amount of preference tranche was RMB486 million (As at 31 December 2019: RMB495 million). China Universal Leasing Co., Ltd., a wholly-owned subsidiary of the Group, provided liquidity support to the preference tranche of asset-backed securities.

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

(b) Significant transactions with other government-related entities

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

During the year, the Group's significant transactions with other government-related entities constituted a large portion of the finance lease services and advisory services. In addition, substantially all restricted cash, time deposits, cash and cash equivalents and borrowings as at 31 December 2020 and 2019 and the relevant interest earned and paid during the years were transacted with banks and other financial institutions which are controlled by the PRC government.

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel:

	2020 **RMB'000**	2019 RMB'000
Short-term employee benefits	**22,983**	17,226

35. SHARE OPTION SCHEME

Pursuant to a resolution in writing passed on 31 December 2019 by the shareholders of the Company, a share option scheme (the "Share Option Scheme") has been adopted by the Company.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants certain qualified participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include senior and middle management personnel, as well as other key employees of the Company or any subsidiary (the "Grantees"). The total number of new shares in respect of which options may be granted under the Share Option Scheme is 16,065,000 shares, which is 0.94% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the shareholders at the General Meeting. The Share Option Scheme will be valid for 5 years from the date of its adoption.

The offer of a grant of share options ("Share Options") may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HKD1 in total by the Grantees subject to any early termination, the Share Option Scheme will remain in force for a period of 5 years commencing on the date on which the Share Option Scheme is approved by the shareholders of the Company. The vesting of the Share Options is mainly subject to fulfilment of the Company's performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations.

The exercise price in respect of any option shall be such price as determined by the Board or the Administration Committee of the Share Option Scheme and notified to the Grantees and which shall not be less than the highest of: (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the shares as at the offer date. The exercise price of the Share Options is subject to adjustment in the case of rights or other similar changes in the Company's share capital.

35. SHARE OPTION SCHEME (CONTINUED)

On 31 December 2019, the Board announced that, the Company has resolved the offer to grant Share Options to the Grantees under the Share Option Scheme to subscribe for a total of 16,065,000 ordinary shares in the capital of the Company, including 991,000 reserved options.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price per share option* HKD	Number of share options
31 December 2021	5.97	5,024,667
31 December 2022	5.97	5,024,667
31 December 2023	5.97	5,024,666

* Movements in the number of the Share Options outstanding and their related weighted average exercise prices granted under the Share Option Scheme during the year are as follows:

Exercise price per share option (HKD)	Date of grant	Outstanding as at 1 January 2020	Granted during the year ended 31 December 2020	Outstanding as at 31 December 2020
5.97	2019/12/31	15,074,000	–	15,074,000

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2020 was RMB16,312,000. The weighted average fair values were HKD1.12, HKD1.22 and HKD1.28 per option for each of the three tranches with two-year, three-year and four-year vesting periods, respectively. The share option expense recognised was RMB5,798,000 (2019:nil) during the year ended 31 December 2020 in employee benefit expense.

35. SHARE OPTION SCHEME (CONTINUED)

The fair values of the Share Options were estimated as at their respective dates of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model used:

Expected dividend yield (%)	4.61
Expected volatility (%)	30.62
Risk-free interest rate (%)	1.70
Validity period of the Share Options (year)	5
Share price (HKD per share)	5.97
Expected exercise trigger multiple	2

Estimation of the value of the Share Options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair values of the Share Options granted in the year were incorporated into such measurement.

At 31 December 2020, the Company had 15,074,000 (31 December 2019: 15,074,000) non-vested Share Options (including 2,644,000 (31 December 2019: 2,644,000) non-vested Share Options granted to certain executive directors, 3,394,000 (31 December 2019: 3,394,000) non-vested Share Options granted to certain employees among the five highest paid employees and 4,596,000 (31 December 2019: 4,596,000) non-vested Share Options granted to certain key management personnel) outstanding under the Share Option Scheme. Should all of them be vested, the exercise in full of the outstanding Share Options would, under the present capital structure of the Company, result in the issue of 15,074,000 additional ordinary shares of the Company.

At the date of approval of these financial statements, the Company had 15,074,000 Share Options outstanding under the Share Option Scheme, which represented approximately 0.80% of the Company's shares in issue as at that date.

36. OTHER EQUITY INSTRUMENTS

China Universal Leasing Co., Ltd. ("China Universal Leasing"), a wholly-owned subsidiary of the Group, issued the first tranche of the bonds (the "T1 Bonds") of the renewable corporate bond with a total principal amount of RMB1,660,000,000, with a basic term of three years from 27 December 2018. The T1 Bonds are with a fixed interest rate of 6% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the T1 Bonds. China Universal Leasing is entitled, at the end of the agreed basic term and each extended period, to an option to extend the term of the bonds. Distributions of the renewable bond may be paid annually and may be deferred at the discretion of China Universal Leasing unless a compulsory distribution payment event (including distributions to shareholders of China Universal Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. As the Group has no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, the Group classified the renewable corporate bond issued as an equity instrument.

For the year ended 31 December 2020, the profits attributable to holders of the renewable corporate bond based on the applicable distribution rates were RMB99,600,000 (For the year ended 31 December 2019: RMB99,600,000) and the distribution made by the Group to the holders of the renewable corporate bond was RMB99,600,000 (For the year ended 31 December 2019: RMB99,694,000).

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

2020

	RMB'000
Financial assets	
Financial assets at amortised cost:	
Loans and accounts receivables	54,195,411
Financial assets included in prepayments, deposits and other receivables	138,218
Restricted deposits	667,701
Cash and cash equivalents	2,036,535
Financial assets at fair value through profit or loss:	
Derivative financial instruments	–
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	9,173
	57,047,038
Financial liabilities	
Financial liabilities at amortised cost:	
Trade payables	868,396
Financial liabilities included in other payables and accruals	3,928,659
Interest-bearing bank and other borrowings	39,981,341
Financial liabilities at fair value through profit or loss:	
Derivative financial instruments	6,545
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	406,788
	45,191,729

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2019

	RMB'000
Financial assets	
Financial assets at amortised cost:	
Loans and accounts receivables	49,531,738
Financial assets included in prepayments, deposits and other receivables	249,983
Restricted deposits	541,009
Cash and cash equivalents	3,385,867
Financial assets at fair value through profit or loss:	
Derivative financial instruments	69,652
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	150,613
	53,928,862
Financial liabilities	
Financial liabilities at amortised cost:	
Trade payables	1,289,436
Financial liabilities included in other payables and accruals	3,908,968
Interest-bearing bank and other borrowings	38,002,843
Financial liabilities at fair value through profit or loss:	
Derivative financial instruments	2,869
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	62,680
	43,266,796

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

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

Cash and bank balances, restricted deposits, accounts receivables, notes receivables, current portion of financial assets included in deposits and other receivables, trade payables, short-term borrowings and current portion of financial liabilities included in other payables and accruals

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

Lease receivables, long-term receivables arising from sale-and-leaseback arrangements, factoring receivables, interest-bearing bank and other borrowings excluding bonds issued and short-term borrowings

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

Bonds issued

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

The table below summarises the carrying amounts and fair values of bonds issued which are included in interest-bearing bank and other borrowings not presented at fair value on the statement of financial position as at 31 December 2020.

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bonds issued	**13,555,787**	14,809,640	**13,214,292**	14,863,388

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

Financial instruments not measured at fair value (continued)

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

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

Financial instruments measured at fair value

Interest rate swap contracts

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

Cross-currency interest rate swaps

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

38. 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).

Assets and liabilities measured at fair value:

As at 31 December 2020

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Forward currency contracts	–	9,173	–	9,173
	–	9,173	–	9,173
Derivative financial liabilities				
– Forward currency contracts	–	366,778	–	366,778
– Interest rate swap contracts	–	27,162	–	27,162
– Cross-currency interest rate swaps	–	19,393	–	19,393
	–	413,333	–	413,333

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

Fair value hierarchy (continued)

Assets and liabilities measured at fair value: (continued)

As at 31 December 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Forward currency contracts	–	212,471	–	212,471
– Interest rate swap contracts	–	133	–	133
– Cross-currency interest rate swaps	–	7,661	–	7,661
	–	220,265	–	220,265
Derivative financial liabilities				
– Forward currency contracts	–	22,739	–	22,739
– Interest rate swap contracts	–	41,591	–	41,591
– Non-deliverable currency options	–	1,219	–	1,219
	–	65,549	–	65,549

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	**13,214,292**	**–**	**–**	**13,214,292**

As at 31 December 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	14,677,264	186,124	–	14,863,388

During the year ended 31 December 2020, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group also enters into derivative transactions, including principally interest rate swaps contracts, forward currency contracts, non-deliverable currency options and cross-currency interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and loans and accounts receivables. The Group aims to mitigate such risks by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, to the Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

	Increase/(decrease) in profit before tax as at 31 December	
	2020	2019
	RMB'000	RMB'000
Change in basis points		
+100 basis points	**131,546**	165,379
– 100 basis points	**(131,546)**	(165,379)

The interest rate sensitivity set out in the table above is for illustration only and is based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities move by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency).

The Group conducts its businesses mainly in RMB, with certain transactions denominated in United States Dollar, and to a lesser extent, other currencies. The Group's exposure to treasury operations mainly arises from its transactions in currencies other than RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. For example, the Group enters into cross currency interest rate swaps and forward currency contracts to mitigate the currency risk arising from variable cash flows of some of its foreign currency floating rate loans (see note 17).

The exchange rate of RMB to the United States Dollar ("USD") is managed under a floating exchange rate system. The Hong Kong Dollar ("HKD") exchange rate has been pegged to USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

The table below is a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, was based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period were kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (continued)

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit before tax as at 31 December	
		2020	2019
	%	**RMB'000**	RMB'000
Currency			
If RMB strengthens against USD/HKD	(1)	**(808)**	(299)
If RMB weakens against USD/HKD	1	**808**	299

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with the recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the loans and accounts receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Group include cash and bank deposits, accounts receivables, notes receivables, derivative financial instruments, and financial assets included in deposits and other receivables. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

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

	As at 31 December 2020		As at 31 December 2019	
	RMB'000	**%**	RMB'000	%
Interest-earning assets				
Healthcare	**28,971,620**	**53**	34,629,870	70
Public utilities	**22,233,552**	**41**	10,946,532	22
Others	**3,445,050**	**6**	4,209,237	8
	54,650,222	**100**	49,785,639	100
Less: loss allowance for impairment of interest-earning assets	**1,126,057**		885,375	
Net	**53,524,165**		48,900,264	

As the customers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on the customers' creditworthiness unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs – impaired) RMB'000	Simplified Approach RMB'000	Total RMB'000
Accounts receivable	–	–	–	670,816	670,816
Notes receivables	430	–	–	–	430
Interest-earning assets	44,510,842	8,699,942	313,381	–	53,524,165
Financial assets included in prepayments, other receivables and other assets	138,218	–	–	–	138,218
Restricted deposits	667,701	–	–	–	667,701
Cash and cash equivalents	2,036,535	–	–	–	2,036,535
	47,353,726	8,699,942	313,381	670,816	57,037,865

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2019

	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs – impaired) RMB'000	Simplified Approach RMB'000	Total RMB'000
Accounts receivable	–	–	–	631,474	631,474
Interest-earning assets	39,797,241	8,835,120	267,903	–	48,900,264
Financial assets included in prepayments, other receivables and other assets	249,983	–	–	–	249,983
Restricted cash	541,009	–	–	–	541,009
Cash and cash equivalents	3,385,867	–	–	–	3,385,867
	43,974,100	8,835,120	267,903	631,474	53,708,597

Note:

Among which, all the financial assets in stage 1 are credit rated as Pass.

As 31 December 2020, no assets were past due over 30 days and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

When the lease payment for a period is past due by one day as at each reporting date, the whole interest-earning assets is classified as past due.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

	As at 31 December 2020					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	610,646	6,440,835	15,559,962	40,452,992	278	63,064,713
Financial assets included in prepayments, deposits and other receivables	367	116,517	21,287	12,040	–	150,211
Restricted deposits	–	658,379	25,696	–	–	684,075
Derivative financial assets	–	–	9,173	–	–	9,173
Cash and cash equivalents	2,036,535	–	–	–	–	2,036,535
Total financial assets	2,647,548	7,215,731	15,616,118	40,465,032	278	65,944,707
FINANCIAL LIABILITIES:						
Trade payables	–	7,790	860,606	–	–	868,396
Financial liabilities included In other payables and accruals	510,815	487,230	390,185	2,807,415	600	4,196,245
Derivative financial liabilities	–	29,313	307,770	76,250	–	413,333
Interest-bearing bank and other borrowings	–	5,160,991	15,901,264	21,636,743	–	42,698,998
Total financial liabilities	510,815	5,685,324	17,459,825	24,520,408	600	48,176,972

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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

	As at 31 December 2019					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	268,932	5,358,112	13,991,448	38,624,750	104,163	58,347,405
Financial assets included in prepayments, deposits and other receivables	1,078	165,874	83,031	–	–	249,983
Restricted deposits	–	260,617	289,221	–	–	549,838
Derivative financial assets	–	7,661	179,848	32,756	–	220,265
Cash and cash equivalents	3,385,867	–	–	–	–	3,385,867
Total financial assets	3,655,877	5,792,264	14,543,548	38,657,506	104,163	62,753,358
FINANCIAL LIABILITIES:						
Trade payables	–	470,734	818,702	–	–	1,289,436
Financial liabilities included In other payables and accruals	496,991	473,739	624,578	2,593,069	21,052	4,209,429
Derivative financial liabilities	–	371	19,182	45,996	–	65,549
Interest-bearing bank and other borrowings	–	5,382,987	11,140,679	24,525,911	593	41,050,170
Total financial liabilities	496,991	6,327,831	12,603,141	27,164,976	21,645	46,614,584

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's credit commitments based on contractual undiscounted cash flows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Credit commitments:		
Less than 3 months	**490,000**	175,000
3 to 12 months	**78,952**	1,050,952
	568,952	1,225,952

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is calculated as bank and other borrowings divided by total equity. The gearing ratio as at the reporting date is as follows:

Group

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bank and other borrowings	**39,981,341**	38,002,843
Total equity	**14,965,335**	13,447,208
Gearing ratio	**2.67**	2.83

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

CULC and Genertec Universal International Financial Leasing (Tianjin) Co., Ltd. ("TJ-Leasing")

The primary objective of the capital management of CULC and TJ-Leasing, principal subsidiaries of the Group located in Mainland China, is to ensure that they comply with the regulatory requirements of the Ministry of Commerce of the PRC (the "MOFCOM") in addition to the general requirements that are relevant to the Group. In accordance with the "Administration of Foreign Investment in the Leasing Industry" promulgated by the MOFCOM on 3 February 2005 and other relevant laws and regulations, CULC and TJ-Leasing have set up appropriate business development and capital management programs and established a comprehensive evaluation system. They actively adjust the capital structure in light of changes in the market and the risks confronted by adjusting their dividend policy or financing channels. During the year, there were no significant changes in the policies or processes for managing the capital of CULC and TJ-Leasing.

In accordance with the aforementioned requirements of the MOFCOM, CULC and TJ-Leasing should maintain their risk assets ("Risk Assets") within 10 times of their equity. The Risk Assets shall be determined on the basis of the total assets less cash. The calculations of the ratios of the Risk Assets to equity as at each reporting date are as follows:

CULC

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Total assets	**49,577,640**	49,863,200
Less: Cash and cash equivalents	**(873,528)**	(1,447,555)
Total Risk Assets	**48,704,112**	48,415,645
Equity	**10,219,618**	9,844,529
Ratio of Risk Assets to equity	**4.77**	4.92

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

TJ-Leasing

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Total assets	**21,705,669**	15,925,567
Less: Cash and cash equivalents	**(185,412)**	(784)
Total Risk Assets	**21,520,257**	15,924,783
Equity	**3,527,347**	2,787,563
Ratio of Risk Assets to equity	**6.10**	5.71

40. EVENTS AFTER THE REPORTING PERIOD

(a) On 29 January 2021, the shareholders of the Group approved, confirmed and ratified the subscription agreement at the general meeting, which was dated 29 December 2020 and entered into among Genertec Universal Medical Development (BVI) Co., Ltd. as issuer, the Group as guarantor and CCP Leasing II Limited as subscriber in relation to the subscription of the guaranteed convertible bonds in an aggregate principal amount of USD150,000,000 to be issued by the issuer and the transactions contemplated thereunder and in connection therewith. The transactions were completed on 25 March 2021.

40. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) On 8 March 2021, 175,235,081 new shares were allotted and issued by the Group to the subscriber at a subscription price of HKD6.636 per share. The gross proceeds to be raised from the subscription are USD150,000,000, and the net proceeds to be raised from the subscription, after deduction of the related expenses, are approximately USD149,600,000 (equivalent to approximately HKD1,159,759,040), representing a net subscription price of approximately HKD6.62 per share.

The subscriber is a limited liability company incorporated under the laws of the British Virgin Islands, which is principally engaged in investment holding. The subscriber is a wholly-owned subsidiary of Meta Group Limited.

(c) On 9 August 2018, the Group entered into the cooperation agreement with Health Commission of Handan (previously known as Health and Family Planning Commission of Handan) 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 billion 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 supplies procurement service to Handan First Hospital (including the new east district of Handan First Hospital).

On 1 March 2021, the Group, Health Commission of Handan and Handan First Hospital entered into a termination agreement, pursuant to which the cooperation agreement was terminated on 1 March 2021.

41. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**436**	494
Prepayments, deposits and other receivables	**4,878,145**	5,659,365
Investments in subsidiaries	**5,612,524**	5,606,726
Right-of-use assets	**465**	1,579
Derivative financial instruments	**–**	3,498
Total non-current assets	**10,491,570**	11,271,662
CURRENT ASSETS		
Accounts receivables	**3,633**	–
Prepayments, deposits and other receivables	**4,964,512**	2,798,770
Dividends receivable from a subsidiary	**–**	451,250
Derivative financial instruments	**9,173**	56,449
Restricted deposits	**86,450**	175,365
Cash and cash equivalents	**221,533**	619,285
Total current assets	**5,285,301**	4,101,119
CURRENT LIABILITIES		
Trade payables	**1,162**	96
Other payables and accruals	**12,673**	10,399
Interest-bearing bank and other borrowings	**5,961,775**	4,327,052
Derivative financial liabilities	**35,124**	17,172
Total current liabilities	**6,010,734**	4,354,719
NET CURRENT LIABILITIES	**(725,433)**	(253,600)
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,766,137**	11,018,062

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**4,953,509**	6,229,450
Derivative financial liabilities	**2,611**	25,629
Net assets	**4,810,017**	4,762,983
EQUITY		
Share capital	**4,327,842**	4,327,842
Reserves (note)	**482,175**	435,141
Total equity	**4,810,017**	4,762,983

Peng Jiahong
Director

Yu Gang
Director

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Hedge reserve RMB'000	Retained profits RMB'000	Share-based compensation reserves	Total RMB'000
Balance at 1 January 2020	**33,302**	**(54,970)**	**456,809**	**–**	**435,141**
Profit for the year	**–**	**–**	**469,595**	**–**	**469,595**
Other comprehensive income for the year:					
Cash flow hedges, net of tax	**–**	**25,758**	**–**	**–**	**25,758**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**5,798**	**5,798**
Dividends	**–**	**–**	**(454,117)**	**–**	**(454,117)**
At 31 December 2020	**33,302**	**(29,212)**	**472,287**	**5,798**	**482,175**
Balance at 1 January 2019	33,302	(22,061)	455,664	–	466,905
Profit for the year	–	–	408,355	–	408,355
Other comprehensive loss for the year:					
Cash flow hedges, net of tax	–	(32,909)	–	–	(32,909)
Dividends	–	–	(407,210)	–	(407,210)
At 31 December 2019	33,302	(54,970)	456,809	–	435,141

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

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