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

2021
ANNUAL REPORT

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairwoman and Vice-chairman

Ms. Peng Jiahong *(Chairwoman)*
Mr. Zhao Yan(3)
(Vice-chairman)

Executive Directors

Ms. Peng Jiahong
Mr. Wang Wenbing(4)
(Chief Executive Officer)
Mr. Yu Gang

Non-executive Directors

Mr. Zhao Yan(3)
Mr. Tong Chaoyin(1)
Mr. Che Lingyun(9)
Mr. Zhu Ziyang(2)
Mr. Zhang Yichen(6)
Mr. Liu Xiaoping(5)
Mr. Su Guang(5)
Ms. Liu Kun(7)
Mr. Liu Zhiyong(7)
Mr. Feng Songtao(8)

(1) Appointed with effect from 14 May 2021
(2) Appointed with effect from 7 July 2021
(3) Appointed with effect from 27 August 2021
(4) Appointed with effect from 13 September 2021
(5) Resigned with effect from 6 March 2021
(6) Resigned with effect from 27 August 2021
(7) Resigned with effect from 9 September 2021
(8) Appointed with effect from 13 September 2021 and resigned with effect from 9 February 2022
(9) Appointed with effect from 1 March 2022

Independent Non–executive Directors

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

AUDIT COMMITTEE

Mr. Li Yinquan *(Chairman)*
Mr. Chow Siu Lui
Mr. Tong Chaoyin(1)
Mr. Liu Xiaoping(5)

REMUNERATION COMMITTEE

Mr. Chow Siu Lui *(Chairman)*
Mr. Zhao Yan(3)
Mr. Che Lingyun(9)
Mr. Li Yinquan
Mr. Han Demin
Mr. Liu Zhiyong(7)
Mr. Feng Songtao(8)

NOMINATION COMMITTEE

Ms. Peng Jiahong *(Chairwoman)*
Mr. Che Lingyun(9)
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Liao Xinbo
Mr. Zhang Yichen(6)
Mr. Feng Songtao(8)

STRATEGY COMMITTEE

Ms. Peng Jiahong *(Chairwoman)*
Mr. Zhao Yan(3)
Mr. Zhu Ziyang(2)
Mr. Zhang Yichen(6)
Ms. Liu Kun(7)

RISK CONTROL COMMITTEE

Mr. Zhu Ziyang(2) *(Chairman)*
Mr. Wang Wenbing(4)
Mr. Tong Chaoyin(1)
Mr. Su Guang(5)
Mr. Liu Zhiyong(7)

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

AUDITOR

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

LEGAL ADVISER

CYL & Partners in Association
with Cooley HK

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

www.umcare.cn

STOCK CODE

2666

DEFINITIONS

"2022 AGM"	the annual general meeting of the Company to be held on 7 June 2022
"Ansteel General Hospital"	Ansteel Group General Hospital (鞍鋼集團公司總醫院), a leading Grade III Class A general hospital in Anshan City, Liaoning Province, the PRC
"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 (中信資本控股有限公司)
"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
"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
"Director(s)"	the director(s) of the Company
"Evergreen"	Evergreen021 Co., Ltd, a company incorporated under the laws of the British Virgin Islands on 14 August 2014 with limited liability
"GCP"	good clinical practice
"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 ultimate controlling shareholder of the Company
"GT-PRC Finance"	Genertec Finance Co., Ltd (通用技術集團財務有限責任公司), a company established in the PRC and held by GT-PRC and CNTIC as to 95% and 5%, respectively
"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
"Million Surplus Developments"	Million Surplus Developments Limited (百盈發展有限公司), a company incorporated in the British Virgin Islands with limited liability

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"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
"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
"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
"Xichang New Steel"	Pangang Group Xichang New Steel Enterprise Co., Ltd. (攀鋼集團西昌新鋼業有限公司)
"Yuanzhi Group"	Meta Group Limited (元知集團有限公司), its subsidiaries and other controlled entities (from time to time)

COMPANY PROFILE

Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) ("Universal Medical") is controlled by a central state-owned enterprise and listed on the Stock Exchange in July 2015 (stock code: 2666) with focus on healthcare industry. China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), the controlling shareholder of the Company, is a backbone state-owned enterprise under direct administration of the PRC central government, and also a Fortune Global 500 enterprise.

Universal Medical has 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.

"Safeguarding Health and Wellness through Quality Healthcare" is the business Mission We always implement. We give full play to the advantages of central state-owned enterprises in running medical care, and provide the people with quality medical services which are safe, effective, accessible, and humanistic. Now we have 62 medical institutions distributed in 14 provinces and municipalities covering Shaanxi, Shanxi, Sichuan, Liaoning, Anhui, Hebei, Beijing and Shanghai. Among these institutions, there are five Grade III Class A hospitals and 30 Grade II hospitals, with a capacity of over 16,000 beds in total.

In the future, Universal Medical will firmly grasp the good opportunity of China's medical healthcare industry, actively respond to the "Healthy China" strategy, and industriously contribute the strength of central state-owned enterprises to China's healthcare undertakings.

STATEMENT FROM THE CHAIRWOMAN OF THE BOARD

Dear Shareholders,

2021 was of special significance in the course of China's modernization. In spite of various challenges, the year was full of glory. China delivered perfect results with great achievements that have won global recognition. In this extraordinary year, facing sporadic Covid-19 cases and uncertainties of the external environments, Universal Medical kept its strategic commitment, and continued to take root in the medical and healthcare industry. It steadily developed finance business, built the core capabilities of the hospital group, and actively expanded its healthcare industry layout. Universal Medical achieved hard-earned operating results, with steady growth in scale and efficiency, and ensured a good start during the "14th Five-Year Plan" period.

We stick to long-term values and stand on solid ground while keeping goals in mind. In the field of finance business, we adhered to the concepts of "still waters running deep" and "making stability our top priority", and strove to develop business, manage risks, and guarantee financing synchronously. Our finance business recorded safe and stable growth; our financing capacity was significantly improved; and various risk management indicators such as asset quality remained excellent in the industry. With a forward-looking perspective, we actively innovate business model, and expand the space for sustainable development by supporting the national strategies and the development of the principal business of the Group. In the field of medical services, we expanded our branches while laying a solid business foundation. As a result, hardware upgrades, discipline building, and lean management of each medical institution progressed across the board. The operational efficiency and service capabilities of our hospital group were steadily improved. We made proactive efforts in digital transformation. We standardized core systems, built a data middle platform, and accelerated the expansion of Internet-based healthcare, all of which laid a solid foundation for serving patients' needs and improving management efficiency. In the field of health industry, by virtue of preliminary explorations and practices, equipment maintenance and medical inspection service systems were more complete. The inclusive community-based elderly care mode achieved initial results. A shared and win-win health industry symbiosis is taking shape.

We stick to our responsibilities, not only serving the overall interests, but also paying attention to grassroots needs. Last year, the pandemic broke out in many places, resulting in severe situations. Our medical staff actively responded to the government's call and were always on the front line of pandemic prevention and control. We fought against the pandemic day and night, and excellently accomplished the emergency anti-pandemic and rescue tasks. Through the construction of "connected clinics", we improved service capabilities of grass-root medical institutions and well met diverse medical needs. We alleviated poverty in medical and health regards. Leveraging the Internet medical platform and mobile diagnosis and treatment vehicles, we delivered high-quality medical resources to the doorsteps of people in remote areas. The "Xinyan Charity Fund (新燕公益基金)" conducted "Rainbow Babies Assistance Project (彩虹寶寶援助項目)" and "Colorectal Plan, Colorectal Health – Colon Cancer Assistance Project (「腸計劃 • 腸健康」結直腸腫瘤援助項目)", which effectively helped patients in need access medical resources. As for aviation medical rescue, we built a 200-kilometer air rescue circle in the Panzhihua-Xichang mountainous area to protect the lives and health of people in the mountainous areas.

We know very well that every development and progress of Universal Medical is inseparable from the trust of patients and customers, and the support from all walks of life. On behalf of the Board and myself, I would like to take this opportunity to extend my heartfelt gratitude to the Shareholders, customers and partners who have always cared and supported the development of Universal Medical, and to the over 10,000 hard-working employees! We will give back to all parties in the society for their care and trust with sustainable and steady high-quality development.

2022 will witness the 20th National Congress of the Communist Party of China. It is also a key year for Universal Medical to effectively implement strategies and improve development capabilities. At the new starting point, Universal Medical will continue to closely follow the national strategies and industry development. With long, unremitting efforts, we will innovate a unique development mode on the new path of central enterprises running medical services. We will focus on value creation and endogenous growth, unswervingly execute strategies, expand innovative finance business, improve discipline operation mode, enhance the core capabilities of hospitals, and deepen the layout of the health industry. We will make our operations more efficient through lean management and digital transformation; improve organizational capabilities across the board by advancing organizational reform and bringing in new talents, and strengthen the cultural leadership, and build the greatest synergy of reform and development by strengthening the leadership of the Communist Party of China in a persistent way to promote the Company's steady, long-term and high-quality development.

Those who are determined will manage to overcome difficulties; those who keep moving forward are sure to achieve their goals even if they have a long way to go. The dream of Universal Medical is to "safeguard health and wellness through quality healthcare". Although the road to dream is never smooth, we are going in the right direction and on the right path. We have a professional team full of vitality and striving spirit, a sincere desire to serve the people's better life, and the determination and perseverance to turn its blueprint for development into reality. I believe that our dream will eventually come true.

Peng Jiahong
Genertec Universal Medical Group Company Limited
Chairwoman of the Board, Executive Director

PERFORMANCE OVERVIEW

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating Results					
Income	**9,914,273**	8,521,238	6,815,587	4,296,866	3,418,829
Finance and advisory business income*1	**5,307,546**	4,899,669	4,768,645	4,165,136	3,341,103
Hospital group business income*1	**4,608,377**	3,623,001	2,046,942	131,730	77,468
Cost of sales	**(5,714,834)**	(4,967,263)	(3,636,505)	(1,705,442)	(1,244,640)
Cost of finance and advisory business*2	**(1,829,066)**	(1,840,231)	(1,926,405)	(1,591,850)	(1,173,189)
Cost of hospital group business	**(4,022,583)**	(3,243,661)	(1,757,074)	(113,592)	(71,451)
Profit before tax	**2,691,808**	2,365,014	2,211,859	1,859,039	1,576,461
Profit for the year	**2,030,469**	1,813,910	1,634,392	1,350,664	1,148,679
Profit for the year attributable to owners of the parent	**1,835,233**	1,647,537	1,488,736	1,352,173	1,148,658
Basic earnings per share (RMB)	**0.99**	0.96	0.87	0.79	0.67
Diluted earnings per share (RMB)*3	**0.91**	0.96	0.87	0.79	0.67
Profitability Indicators					
Return on total assets(1)	**3.09%**	3.04%	3.11%	3.18%	3.44%
Return on equity(2)	**15.37%**	16.26%	16.65%	17.05%	16.36%
Net interest margin(3)	**4.05%**	4.09%	3.74%	4.10%	4.41%
Net interest spread(4)	**3.56%**	3.54%	3.24%	3.23%	3.51%

*1 After taxes and surcharges

*2 Before inter-segment offset

*3 The potential dilutive shares of the Company include the shares to be issued under the Share Option Scheme and the shares convertible from the convertible bonds

(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; and

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

	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000
Assets and Liabilities					
Total assets	**69,899,801**	61,511,013	57,852,542	47,256,927	37,732,513
Net interest-earning assets	**61,127,607**	54,650,222	49,785,639	44,270,664	35,021,292
Total liabilities	**52,276,546**	46,545,678	44,405,334	37,000,119	30,263,687
Interest-bearing bank and other borrowings	**44,172,571**	39,981,341	38,002,843	32,981,989	26,882,695
Total equity	**17,623,255**	14,965,335	13,447,208	10,256,808	7,468,826
Equity attributable to owners of the parent	**13,103,989**	10,770,514	9,489,304	8,395,611	7,468,601
Net assets per share (RMB)	**7.05**	6.28	5.53	4.89	4.35
Financial Indicators					
Debt ratio(1)	**74.79%**	75.67%	76.76%	78.30%	80.21%
Gearing ratio(2)	**2.51**	2.67	2.83	3.22	3.6
Current ratio(3)	**1.33**	0.94	1.1	1.06	0.98
Asset Quality					
Non-performing assets ratio(4)	**0.98%**	1.00%	0.90%	0.81%	0.78%
Provision coverage ratio(5)	**238.29%**	205.52%	198.46%	190.24%	189.92%
Write-off of non-performing assets ratio(6)	**0.00%**	9.34%	0.00%	0.00%	0.00%
Ratio of overdue interest-earning assets (over 30 days)(7)	**0.76%**	0.94%	0.84%	0.62%	0.44%

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

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

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

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

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

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

(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

2021 was the opening year of the "14th Five-Year Plan". We fulfilled the responsibilities as a central enterprise, adhered to serving the "Healthy China" strategy, and firmly moved forward in the field of medical and healthcare. As a conglomerate controlled by a central enterprise and focusing on healthcare industry, as of 31 December 2021, Universal Medical (i) owned and operated a large group of state-owned hospitals consisting of 45 medical institutions, and provided supply chain management, medical equipment related medical services integrating production, learning, research and marketing, equipment maintenance, medical testing, health and wellness, Internet-based healthcare services and other services for hospitals within and outside the Group; and (ii) offered comprehensive financial solutions centered on finance leasing for customers in public hospitals, urban public utility and other fields, and provided industry, equipment and financing consulting, hospital department upgrade and other services.

In 2021, we steadily promoted our business and improved our overall operating performance. The Group recorded a revenue of RMB9,914.3 million, representing an increase of 16.3% as compared to the previous year; net profit of RMB2,030.5 million, representing an increase of 11.9% as compared to the previous year; net profit attributable to owners of the parent of RMB1,835.2 million, representing an increase of 11.4% as compared to the previous year; return on total assets (ROA) of 3.09%, and return on equity attributable to ordinary shareholders (ROE) of 15.37%.

1.1 Hospital Group Improved Quality and Efficiency, with Net Profit Increasing by 39.5%

In 2021, we continued to consolidate the accounts of medical institutions into our own hospital group, and in the context of normalized pandemic prevention and control, we orderly advanced the post-investment management of medical institutions, and continuously enhanced the three core capabilities of "discipline", "operation" and "service", to build overall advantages of the hospital group in terms of safety, effectiveness, accessibility, and humanities as a way to achieve steady progress in operating efficiency.

In terms of the overall financial performance of the hospital group business: in 2021, the hospital group contributed a revenue of RMB4,608.4 million to the Company, representing an increase of 27.2% as compared to the previous year, and its proportion in the total revenue from the business of the Group increased from 42.5% in 2020 to 46.5%; the hospital group achieved a total gross profit of RMB585.8 million, representing an increase of 54.4% as compared to the previous year, and its proportion in the gross profit of the Group's business as a whole increased from 10.7% in 2020 to 14.0%. Without taking into account the hospital investment platform, the hospital group achieved a total gross profit of RMB585.0 million, representing an increase of 53.9% as compared to the previous year, a total net profit of RMB214.3 million, representing an increase of 39.5% as compared to the previous year, a gross profit margin from operations of 12.70% and a net profit margin of 4.65%.

In terms of bed capacity, as of 31 December 2021, we cumulatively entered into contracts with 59 medical institutions (including six Grade III hospitals and 30 Grade II hospitals) with a capacity of over 16,000 beds in total; and the number of consolidated medical institutions increased to 45 (including three Grade III Class A hospitals and 20 Grade II hospitals), with a total of 10,376 beds. The hospital group cumulatively launched a total of 372 construction projects, including 10 new outpatient and inpatient multifunction building projects, with a planned number of new beds exceeding 4,000 in total. In the future, based on the existing operation scale, we will continue to expand the scale of the hospital group through internal construction and mergers and acquisitions of/cooperation with external hospitals.

The Geographical Location of Medical Institutions Consolidated into the Group as of 31 December 2021

Province	Grade III hospitals	Grade II hospitals	Others (note)	Total
Shaanxi	1	7	8	16
Shanxi	1	3	4	8
Liaoning	1	1	1	3
Anhui	–	2	5	7
Shandong	–	1	–	1
Hebei	–	3	1	4
Sichuan	–	1	1	2
Zhejiang	–	–	1	1
Hunan	–	1	–	1
Jiangsu	–	1	–	1
Beijing	–	–	1	1
Total	3	20	22	45

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

In terms of operation, in the post-pandemic era, the number of beds and the overall operation of our medical institutions have shown a recovery growth. Meanwhile, with the implementation of group management and control of hospitals, the core capabilities of disciplines, operations and services have been gradually improved to lay the groundwork for sustainable growth trends in the medical business. In 2020, due to the impact of the pandemic, the development of the medical service industry showed an abnormal trend. The overall medical business operation of our hospital group in 2020 declined slightly compared with that in 2019. Therefore, to present a more meaningful operation results, we set out below the recovery development compared with that in 2019:

- Revenue from medical business recovered and exceeded pre-pandemic levels, and income per bed increased steadily

  In 2021, we overcame the impact of the pandemic, actively developed surgical and consumer medical businesses, and increased technical projects to further optimize the business structure. The income from outpatient, inpatient, and physical examination of institutions at all levels exceeded that of 2019, and the total income from medical business increased by 9.7% as compared to that of 2019. The income per bed increased from approximately RMB380,000 in 2019 to approximately RMB420,000, and the efficiency of bed use was further improved.

- The volume of outpatient and emergency businesses increased significantly, with a growth rate exceeding the market average rate

  As new business and new projects were launched, our overall outpatient and emergency visits in 2021 increased by 945,800 as compared to that of 2019, with a growth rate of 19.9%, which exceeded the market average rate[1]. Without taking into account the impact of nucleic acid visits, the overall outpatient and emergency visits still outperformed that of 2019 by approximately 5.5%.

- The structure of hospital expenses was optimized, and the average inpatient expenses of Grade II hospitals increased organically

  We actively responded to China's requirements for high-quality development of public hospitals. In order to further improve operational efficiency, we actively optimized the expense structure. The proportion of overall medical income (excluding medicine and hygiene materials) increased from 52.2% in 2019 to 55.0% in 2021. In addition, the overall patient structure of Grade II hospitals was improved as the proportion of surgical patients, and the number of Grade III and Grade IV surgeries increased. In 2021, the average cost of outpatient and inpatient visits increased by approximately 10% as compared to that of 2019.

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[1] According to the National Medical Service Situation from January to November 2021 (《2021年1-11月全國醫療服務情況》) latest released by the statistical information center of National Health Commission of PRC, the overall growth rate of outpatient and emergency visits in public hospitals across the country was 11.5%.

The operating performance of the 45 consolidated medical institutions during 2019-2021 are as follows:

2021

		Visits in 2021			Medical business income in 2021 (RMB ten thousand)				Average index		
Category	Capacity	Outpatient and emergency visits	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	3,164	2,076,270	99,563	179,544	62,968	129,223	3,637	196,162	62	303	12,979
Grade II	5,624	2,810,256	143,079	596,656	78,634	110,808	9,468	199,002	35	280	7,745
Others (note)	1,588	801,547	15,647	147,472	26,158	7,613	2,144	38,675	24	326	4,866
Total	10,376	5,688,073	258,289	923,672	167,760	247,644	15,249	433,839	42	295	9,588

2020

		Visits in 2020			Medical business income in 2020 (RMB ten thousand)				Average index		
Category	Capacity	Outpatient and emergency visits	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	3,216	1,645,890	92,929	179,357	53,777	124,364	6,395	184,649	57	327	13,383
Grade II	5,521	2,028,498	130,989	463,830	57,164	98,919	10,129	166,766	30	282	7,552
Others (note)	1,476	735,078	13,399	128,204	23,878	6,428	1,432	34,330	23	325	4,797
Total	10,213	4,409,466	237,317	771,391	134,820	229,711	17,956	385,746	38	306	9,680

2019

		Visits in 2019			Medical business income in 2019 (RMB ten thousand)					Average index	
Category	Capacity	Outpatient and emergency visits	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	3,327	1,710,949	99,285	163,152	56,123	132,893	4,233	193,249	58	328	13,385
Grade II	5,611	2,325,322	151,834	445,964	59,327	106,313	8,397	173,131	31	255	7,002
Others (note)	1,476	705,979	15,068	121,709	17,577	7,219	1,585	29,048	20	249	4,791
Total	10,414	4,742,250	266,187	730,825	133,027	246,425	14,214	395,427	38	281	9,258

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

In 2021, with the development of "Enhanced and Specialized" medical business as the core, the hospital group advanced discipline building as a whole by promoting core disciplines, specialties and consumer healthcare services with "Various Measures, and Made Achievements in Multiple Fields", including:

- In terms of discipline building, two hospitals have successfully passed the accreditation of National Chest Pain Centers (國家級胸痛中心), two hospitals have passed the accreditation of Cardiac Rehabilitation Centers (心臟康復中心), two hospitals have passed the accreditation of Heart Failure Centers (心衰中心), one hospital has passed the accreditation of Atrial Fibrillation Center (房顫中心), one hospital has passed the accreditation of Advanced Stroke Center (高級卒中中心), and one hospital led the establishment of a prefecture-level chest pain center alliance. One provincial key discipline, and one municipal key specialty were added to the orthopedics department, and one Grade II Class A orthopedic hospital was added. 18 hospitals were empowered by digestive specialties; one hospital was approved to become a sub-center of the national center for digestive diseases; and one hospital was approved as a base of the national center for digestive diseases.

- In terms of vertical management of specialties, in 2021, we successively advanced the vertical management mode for the stomatology department/stomatology branch in 10 affiliated hospitals, with a revenue of RMB51.38 million, representing an increase of 43.4% as compared with that of 2020, and for the kidney diseases in eight affiliated hospitals (including five nephrology departments and eight hemodialysis centers), with a revenue of RMB152.51 million, representing an increase of 18.3% as compared with that of 2020. As a pilot for vertical management of tumors, Ansteel General Hospital established the first tumor precision diagnosis and treatment center within the Group in September 2021, carried out four clinical trials of tumor drugs and one clinical trial of devices, which are in compliance with GCP, and applied for 1 key research and development project in Liaoning Province. It held the Group's first oncology annual academic meeting with a cumulative online audience of 11,700 people in December 2021.

- In terms of scientific research and talent training, we strengthened cooperation between university and enterprise, and signed a formal cooperation agreement with Shaanxi University of Chinese Medicine. Xi'an XD Group Hospital (西電集團醫院) was listed as the "Third Affiliated Hospital of Shaanxi University of Chinese Medicine" (directly affiliated). We signed strategic cooperation agreements with the Medicine College of Hebei University of Engineering, Xi'an Medical University, Zhejiang Chinese Medical University, Chinese Hospital Association and other institutions. The China Clinical Research Community (中國臨床研究共同體), which we participated in initiation, also reached cooperation intention with Hainan Real World Data Research Institute (海南真實世界數據研究院). Throughout the year, medical institutions published a total of 150 papers, and were granted with 39 patents, including one invention patent. 14 new subjects were approved and 29 projects were in research. We possess four registered clinical trial institutions, and over 60 registered majors in medicine and medical devices. We participated in 24 new drug projects of internationally renowned pharmaceutical companies and domestic innovative hospitals. The training platform of our hospital group uploaded over 700 learning materials, carried out over 100 various training projects, and held nearly 500 exams. Our internal cardiovascular training center completed internal training for eight hospitals on six majors and became the interventional diagnosis and treatment training base for cardiovascular disease of the Chinese Medical Doctor Association (中國醫師協會).

1.2 The Expansion of the Industrial Chain Achieved Initial Results, and the Advantages of Scalable Development were Gradually Established

In 2021, focusing on the core resources of the hospital group, we consolidated the business foundation in various fields such as Internet-based healthcare, equipment maintenance, and medical testing. While efficiently serving the Group's internal hospitals, we actively expanded external customers and gradually established advantages from scalable development.

- Internet-based healthcare: relying on bricks-and-mortar hospitals, our Internet-based healthcare platform "Universal Healthcare" gave full play to the Group's industrial resources and industry integration capabilities to become a unified Internet portal for the healthcare group, the core carrier of the healthcare industry chain business, and provide support and assistance for the digital management of specialties. As of 31 December 2021, seven medical institutions of the hospital group obtained licenses and business permits as an Internet-based hospital. "Universal Healthcare" was officially launched for 34 internal and external medical institutions with over 3,000 online doctors and 750,000 registered users, and served over 2 million visits. It has developed an online + offline service model, and realized "a one-stop medical treatment" for patients covering the whole process.

- Equipment maintenance: we 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 services. As of 31 December 2021, our maintenance business recorded an annual revenue of RMB36.96 million, representing an increase of 194.8% as compared to 2020.

- Medical testing: relying on clinicians and medical teams from subordinate medical institutions, the Group has carried out medical testing business to provide more accurate and professional testing services to local medical institutions nearby. Last year, we tailored the development plan of the testing center for the subordinates Xi'an XD Group Hospital and Pangang Group General Hospital (攀鋼集團總醫院), and built a specialized testing platform focusing on infection, immunization, eugenics and reproduction according to the characteristics of the region and the hospital. By increasing high-end testing items and upgrading technologies, the Group established benchmarking regional testing centers of Universal Medical to incubate new profit sources for the Company. Among them, the testing center of Xi'an XD Group Hospital recorded an annual revenue of RMB89.96 million, representing an increase of 48.3% as compared to 2020.

1.3 Finance Business Developed Steadily, with an Increase of 15.6% in Gross Profit of Interest Margin

With years of experience in the industry, we have built efficient marketing capabilities, flexible financing capabilities, and professional risk control capabilities to provide customers in public hospitals, urban public utility and other fields with comprehensive financial solutions centered on finance leasing, as well as industry, equipment and financing consulting, department upgrade and other services, which has fully guaranteed the continuous profitability of the Company as the hospital group grows.

In 2021, as the regulatory system for the finance business of central enterprises was further improved, we further enhanced operation and management capabilities on the basis of sound risk prevention and mitigation to steadily advance finance business. The Group recorded interest income of finance services of RMB4,469.0 million, representing a year-on-year increase of 8.3%, and the gross profit of interest margin of RMB2,640.6 million, representing a year-on-year increase of 15.6%. All business indicators of the Group maintained a good level. The average yield of interest-earning assets was 7.39%, representing a decrease of 0.46 percentage point over 2020; the average cost rate of interest-bearing liabilities was 3.83%, representing a decrease of 0.48 percentage point over 2020; the net interest spread was 3.56%, and the net interest margin was 4.05%. All of the aforesaid business indicators remained at a leading position in the industry.

While our finance business continues to expand steadily, our asset quality remains at an industry-leading level. As of 31 December 2021, our net interest-earning assets reached RMB61,127.6 million, representing an increase of 11.9% from the beginning of the year; the non-performing asset ratio was 0.98%, representing a decrease of 0.02 percentage point from the end of 2020; the overdue ratio (30 days) was 0.76%, representing a decrease of 0.18 percentage point from the end of 2020; and the provision coverage ratio was 238.29%, representing an increase of 32.77 percentage points from the end of 2020.

1.4 Prospect for the Future – Industry and Us

We believe that with the deepening of the aging society and the acceleration of the construction of a healthy China, China's medical and health market will maintain a trend of rapid growth in the future. However, the industry still faces complex challenges between supply and demand. In 2022, in the trend of high-quality development of the medical industry, higher requirements on efficient operation and lean management have been put forward for survival and competition among Chinese hospitals, and the hospital management group will usher in greater development opportunities. The demand for personalized and accurate specialty diagnosis and treatment continues to increase, and specialized medical services will have the opportunity to grow on a large scale. The development of smart healthcare is accelerated; the "Internet + medical and health" is gradually standardized; and the medical and health industry is continuously transformed and upgraded in a digital manner. Equipment, medical testing, and health industries such as Internet-based healthcare and health and wellness, which will be responsible for ensuring and improving people's livelihood in the future, will also rely more on physical hospitals to strive for sustainable development.

Following the overall deployment of the "14th Five-Year Plan", we will continue to actively carry out the mission of safeguarding life and health with quality medical care, give full play to the advantages of group-based management and control to comprehensively improve the lean management, and build a digital hospital management group. We will build core capabilities in pursuing integrated development of featured specialties such as oncology and nephrology, and extend industrial chain services around the core resources of the hospital group to make breakthroughs in the high-quality development of the entire group, and create greater returns for all Shareholders.

2. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

2.1 Overview

In 2021, the Group continued to firmly move forward in the field of medical and healthcare and solidly promote our business development and recorded revenue of RMB9,914.3 million, representing an increase of 16.3% as compared to the previous year. Profit before tax was recorded RMB2,691.8 million, representing an increase of 13.8% as compared to the previous year. Profit for the year attributable to owners of the parent was RMB1,835.2 million, representing an increase of 11.4% as compared to the previous year.

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

	For the year ended 31 December		
	2021	2020	
	RMB'000	RMB'000	Change %
Income	**9,914,273**	8,521,238	16.3%
Cost of sales	**(5,714,834)**	(4,967,263)	15.0%
Gross profit	**4,199,439**	3,553,975	18.2%
Other income and gains	**313,782**	185,467	69.2%
Selling and distribution costs	**(462,005)**	(380,390)	21.5%
Administrative expenses	**(739,754)**	(613,868)	20.5%
Impairment of financial assets	**(318,235)**	(247,446)	28.6%
Loss on derecognition of financial assets measured at amortised cost	**(942)**	–	100.0%
Financial costs	**(29,132)**	(30,558)	-4.7%
Other expenses	**(285,210)**	(113,513)	151.3%
Share of profit of an associate	**192**	262	-26.7%
Share of profit of a joint venture	**13,673**	11,085	23.3%
Profit before tax	**2,691,808**	2,365,014	13.8%
Income tax expense	**(661,339)**	(551,104)	20.0%
Profit for the year	**2,030,469**	1,813,910	11.9%
Profit for the year attributable to owners of the parent	**1,835,233**	1,647,537	11.4%
Basic earnings per share (RMB)	**0.99**	0.96	3.4%
Diluted earnings per share (RMB)	**0.91**	0.96	-4.9%

2.2 Analysis of Business Revenue

In 2021, the Group recorded revenue of RMB9,914.3 million, among which finance and advisory business recorded revenue of RMB5,307.5 million, representing an increase of 8.3% as compared to the previous year and accounting for 53.5% of total revenue, and hospital group business recorded revenue of RMB4,608.4 million, representing an increase of 27.2% as compared to the previous year and accounting for 46.5% of total revenue. The Group recorded gross profit from operations of RMB4,199.4 million, among which finance and advisory business recorded gross profit from operations of RMB3,478.5 million, representing an increase of 13.7% as compared to the previous year, while hospital group business segment recorded gross profit from operations of RMB585.8 million, representing an increase of 54.4% as compared to the previous year.

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

	For the year ended 31 December				
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
Finance and advisory business	**5,307,546**	**53.5%**	4,899,669	57.5%	8.3%
Hospital group business	**4,608,377**	**46.5%**	3,623,001	42.5%	27.2%
Offset	**(1,650)**	**0.0%**	(1,432)	0.0%	15.2%
Total	**9,914,273**	**100.0%**	8,521,238	100.0%	16.3%

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

	For the year ended 31 December				
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
Finance and advisory business	**3,478,480**	**82.8%**	3,059,438	86.1%	13.7%
Hospital group business	**585,794**	**14.0%**	379,340	10.7%	54.4%
Offset	**135,165**	**3.2%**	115,197	3.2%	17.3%
Total	**4,199,439**	**100.0%**	3,553,975	100.0%	18.2%

2.2.1 Finance and advisory business

The finance and advisory business includes comprehensive financial solutions centered on finance leasing provided by us for customers in public hospitals, urban public utility and other fields, and services such as industry, equipment and financing consulting, and department upgrades in medical institutions. In 2021, the finance and advisory business recorded a revenue of RMB5,307.5 million, representing an increase of 8.3% as compared to the previous year, and gross profit of RMB3,478.5 million, representing an increase of 13.7% 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				
	2021		2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Finance and advisory business income	**5,307,546**		4,899,669		8.3%
Including:					
Finance service	**4,469,013**	**84.2%**	4,125,220	84.2%	8.3%
Advisory service	**836,975**	**15.8%**	773,764	15.8%	8.2%

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

	For the year ended 31 December				
	2021		2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Gross profit from finance and advisory business	**3,478,480**		3,059,438		13.7%
Including:					
Finance service	**2,640,621**	**75.9%**	2,285,000	74.7%	15.6%
Advisory service	**836,975**	**24.1%**	773,764	25.3%	8.2%

2.2.1.1 *Finance service business*

The income from finance service business of the Group is the interest income generated by providing comprehensive financial solutions centered on finance leasing for customers in public hospitals, urban public utility and other fields. In 2021, as the regulatory system for the finance business of central enterprises was further improved, we further enhanced our operation and management capabilities on the basis of sound risk prevention and mitigation to steadily advance finance business, and recorded interest income of RMB4,469.0 million, representing an increase of 8.3% as compared to the previous year.

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

	For the year ended 31 December				
	2021		2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Healthcare	**1,948,813**	**43.6%**	2,639,010	64.0%	-26.2%
Urban public utility	**2,336,328**	**52.3%**	1,232,258	29.9%	89.6%
Other	**183,872**	**4.1%**	253,952	6.1%	-27.6%
Total	**4,469,013**	**100.0%**	4,125,220	100.0%	8.3%

In 2021, the gross profit of interest margin from our finance service business was RMB2,640.6 million, representing an increase of 15.6% 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 service business of the Group:

	31 December 2021			31 December 2020		
	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	**58,120,479**	**4,294,592**	**7.39%**	51,571,650	4,047,510	7.85%
Interest-bearing liabilities	**50,698,497**	**1,940,889**	**3.83%**	45,016,835	1,939,803	4.31%
Net interest margin[(5)]	**–**	**–**	**4.05%**	–	–	4.09%
Net interest spread[(6)]	**–**	**–**	**3.56%**	–	–	3.54%

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

(2) Interest expense represents financial cost of capital for finance service 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; and

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

In 2021, the Group's net interest spread of finance service business was 3.56%, representing an increase of 0.02 percentage point from 3.54% in the previous year, remaining at a good level in the industry. Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities, among which:

(1) In 2021, the Group's average yield of interest-earning assets was 7.39%, representing a decrease of 0.46 percentage point from 7.85% in the previous year. In 2021, the scale of the Group's interest-earning assets recorded a solid growth as compared to the previous year. However, due to the influence of market competition and loan interest rates transmission, the average yield of new interest-earning assets decreased as compared to the previous year, making the average yield of interest-earning assets in 2021 slightly lower than that of the previous year.

(2) In 2021, the average cost rate of interest-bearing liabilities of the Group was 3.83%, representing a decrease of 0.48 percentage point from 4.31% in the previous year. Since the COVID-19 pandemic in 2020, China implemented a relatively easy monetary policy. The newly added financing costs of the Group was on a downward trend. In 2021, as contracts of high-cost financing projects expired, the proportion of new financing with lower cost increased, which drove down the Group's overall average cost rate of interest-bearing liabilities in 2021. Control on funding cost is one of the Group's core advantages to carry out our finance business, and we will continue to deepen cooperation with financial institutions, actively expand financing channels, enrich financing varieties, optimize liability structure, and reasonably and effectively control financing costs on the premise of ensuring sufficient capital liquidity.

2.2.1.2 *Advisory services business*

The Group's advisory services business includes industry, equipment and financing advisory services as well as clinical department upgrade 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 finance 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 2021, the Group recorded gross profit from advisory services of RMB837.0 million, representing an increase of RMB63.2 million or 8.2% as compared to the previous year.

2.2.2 *Hospital group business*

As a conglomerate controlled by a central enterprise and focusing on healthcare industry, as of 31 December 2021, we owned and operated a large state-owned hospital group consisting of 45 medical institutions. In 2021, the hospital group business recorded income of RMB4,608.4 million, representing an increase of 27.2% as compared to the previous year, and recorded gross profit of RMB585.8 million, representing an increase of 54.4% 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				
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
Hospital group business					
Income from integrated healthcare services	**4,322,175**	**93.8%**	3,383,263	93.4%	27.8%
Income from supply chain business, etc.	**828,792**	**18.0%**	619,128	17.1%	33.9%
Offset	**(542,590)**	**-11.8%**	(379,390)	-10.5%	43.0%
Total	**4,608,377**	**100.0%**	3,623,001	100.0%	27.2%

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

	For the year ended 31 December				
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
Hospital group business					
Gross profit from integrated healthcare services	**472,233**	**80.6%**	301,009	79.4%	56.9%
Gross profit from supply chain business, etc.	**124,354**	**21.2%**	82,646	21.8%	50.5%
Offset	**(10,793)**	**-1.8%**	(4,315)	-1.2%	150.1%
Total	**585,794**	**100.0%**	379,340	100.0%	54.4%

2.2.2.1 *Integrated healthcare services*

Revenue from the Group's integrated healthcare services comes from revenue from healthcare service, examination, medicine and hygiene materials, physical examination and other services provided by consolidated medical institutions for 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 2021, the Group recorded consolidated revenue from integrated healthcare services of RMB4,322.2 million, representing an increase of 27.8% as compared to the previous year; gross profit from integrated healthcare services of RMB472.2 million, representing an increase of 56.9% as compared to the previous year. In 2021, the Group continued to promote the integration and takeover of the contracted state-owned medical institution projects, and the number of consolidated medical institutions gradually increased to 45. The increase in the number of consolidated medical institutions, the recovery growth in the post-pandemic era, and the improvement of operational efficiency under group management and control were the main reasons for the increase in the overall revenue and gross profit of integrated medical services.

2.2.2.2 *Supply chain business, etc.*

The hospital supply chain business mainly provides supply chain management, medical device sales and maintenance and other services for hospitals within and outside the Group. As our business expanded in 2021, the Group recorded a total revenue from the supply chain business of RMB828.8 million, representing an increase of 33.9% as compared to the previous year; and gross profit from the supply chain business of RMB124.4 million, representing an increase of 50.5% as compared to the previous year. The substantial increase in the revenue and gross profit from the supply chain business, etc. was mainly attributable to the expansion of the supply chain distribution business undertaken by medical institutions within the Group and the rapid growth of the maintenance business.

2.2.3 Operating cost

In 2021, the Group's sales and distribution costs amounted to RMB462.0 million, representing an increase of 21.5% as compared to the previous year, mainly due to the recovery of business expansion in the post-pandemic era and the cancellation of reduction and exemption of social insurance contributions under the former pandemic outbreak, which brought the sales and distribution costs back to normal level in 2021.

Administrative expenses amounted to RMB739.8 million, representing an increase of 20.5% as compared to the previous year, which was mainly due to the increase in labor costs and investment in information infrastructure upgrades. Administrative expenses from finance and advisory business amounted to RMB343.6 million, accounting for 46.4% of the total administrative expenses, representing an increase of 7.1% as compared to the previous year. Administrative expenses from hospital group business amounted to RMB396.2 million, accounting for 53.6% of the total administrative expenses, representing an increase of 35.2% as compared to the previous year.

2.2.4 *Profit before tax*

In 2021, the Group recorded profit before tax of RMB2,691.8 million, representing an increase of RMB326.8 million or 13.8%, as compared to the previous year.

2.2.5 *Profit for the period attributable to owners of the parent*

In 2021, the Group recorded profit for the year attributable to owners of the parent of RMB1,835.2 million, representing an increase of RMB187.7 million or 11.4%, as compared to the previous year.

2.2.6 *Revenue from hospital group operation*

As of 31 December 2021, the number of the Group's consolidated medical institutions has increased to 45.

In 2021, the medical institutions of the Group (excluding the medical institution investment platforms) recorded revenue of RMB4,607.6 million during the consolidation period, representing an increase of 27.1% as compared to the previous year; recorded profit for the year of RMB214.3 million, representing an increase of 39.5% as compared to the previous year. The gross profit margin from operations was 12.70%, representing an increase of 2.21 percentage points from 10.49% in the previous year; the net profit margin was 4.65%, representing an increase of 0.41 percentage point from 4.24% in the previous year.

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

	For the year ended 31 December		
	2021	2020	
	RMB'000	RMB'000	Change %
Revenue	**4,607,624**	3,623,790	27.1%
Costs	**(4,022,583)**	(3,243,661)	24.0%
Gross profit	**585,041**	380,129	53.9%
Other income and gains	**106,185**	92,969	14.2%
Selling and distribution costs	**(37,605)**	(24,344)	54.5%
Administrative expenses	**(394,921)**	(291,852)	35.3%
Impairment on financial assets	**4,957**	34,643	-85.7%
Other expenses	**(11,186)**	(9,896)	13.0%
Share of profit of an associate	**192**	262	-26.7%
Financial costs	**(12,032)**	(8,480)	41.9%
Profit before tax	**240,631**	173,431	38.7%
Income tax expense	**(26,289)**	(19,791)	32.8%
Profit for the year	**214,342**	153,640	39.5%

3. FINANCIAL POSITION ANALYSIS

3.1 Overview of Assets

As at 31 December 2021, the Group's total assets was RMB69,899.8 million, representing an increase of 13.6% as compared to the end of the previous year. In particular, our restricted deposits was RMB954.9 million, representing an increase of 43.0% as compared to the end of the previous year, accounting for 1.4% of the total assets; our cash and cash equivalents was RMB2,342.1 million, representing an increase of 15.0% as compared to the end of the previous year, accounting for 3.3% of the total assets; our loans and accounts receivables was RMB60,565.3 million, representing an increase of 11.8% as compared to the end of the previous year, accounting for 86.7% of the total assets.

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

	31 December 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Restricted deposits	**954,862**	**1.4%**	667,701	1.1%	43.0%
Cash and cash equivalents	**2,342,078**	**3.4%**	2,036,535	3.3%	15.0%
Inventories	**265,427**	**0.4%**	198,034	0.3%	34.0%
Loans and accounts receivables	**60,565,317**	**86.6%**	54,195,411	88.1%	11.8%
Prepayments, other receivables and other assets	**890,892**	**1.3%**	307,112	0.5%	190.1%
Property, plant and equipment	**2,523,269**	**3.6%**	2,346,601	3.8%	7.4%
Other intangible assets	**46,183**	**0.1%**	58,603	0.1%	-21.2%
Investment in a joint venture	**476,015**	**0.7%**	455,892	0.8%	4.4%
Investment in an associate	**4,284**	**0.0%**	4,215	0.0%	1.6%
Deferred tax assets	**561,184**	**0.8%**	398,739	0.7%	40.7%
Derivative financial assets	**6,915**	**0.0%**	9,173	0.0%	-24.6%
Right-of-use asset	**794,652**	**1.1%**	763,089	1.2%	4.1%
Goodwill	**102,253**	**0.1%**	69,908	0.1%	46.3%
Financial assets at fair value through profit or loss	**366,470**	**0.5%**	–	–	100.0%
Total	**69,899,801**	**100.0%**	61,511,013	100.0%	13.6%

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

	31 December 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Finance and advisory business	**63,844,047**	**91.3%**	55,922,417	90.9%	14.2%
Hospital group business	**8,937,442**	**12.8%**	8,100,062	13.2%	10.3%
Inter-segment offset	**(2,881,688)**	**-4.1%**	(2,511,466)	-4.1%	14.7%
Total	**69,899,801**	**100.0%**	61,511,013	100.0%	13.6%

3.1.1 Restricted deposits

As at 31 December 2021, the Group had restricted deposits of RMB954.9 million, representing an increase of 43.0% as compared to the end of the previous year, and accounting for 1.4% of total assets. Restricted deposits mainly comprised a small amount of pledged project refunds from factoring business, time deposits and financing deposits, among which, there was a significant increase in project refunds in this year.

3.1.2 Cash and cash equivalents

As at 31 December 2021, the Group had cash and cash equivalents of RMB2,342.1 million, representing an increase of 15.0% as compared to the end of the previous year, accounting for 3.4% of the total assets. The balance of cash and cash equivalents will be gradually applied in accordance with the Group's business plan.

3.1.3 Loans and accounts receivables

As at 31 December 2021, the balance of the Group's loans and accounts receivables was RMB60,565.3 million, representing an increase of 11.8% as compared to the end of the previous year. The net interest-earning assets was RMB59,695.3 million, accounting for 98.6% of the loans and accounts receivables; and net accounts receivables was RMB869.2 million, accounting for 1.4% of the loans and accounts receivables.

3.1.3.1 *Interest-earning assets*

In 2021, the Group strengthened its risk management and control in a prudent manner, and expanded the lease business with caution while ensuring asset security. As at 31 December 2021, the Group's net interest-earning assets was RMB61,127.6 million, representing an increase of 11.9% as compared to the end of the previous year.

Net interest-earning assets by industry

In 2021, the Group continued to lay emphasis on adjustment to interest-earning assets structure and risk prevention and control. Under the strict project entry threshold, the Group expanded into new fields of urban public utility in a prudent manner.

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

	31 December 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	22,267,645	36.4%	28,971,620	53.0%	-23.1%
Urban public utility	36,433,511	59.6%	22,233,552	40.7%	63.9%
Others	2,426,451	4.0%	3,445,050	6.3%	-29.6%
Net interest-earning assets	61,127,607	100.0%	54,650,222	100.0%	11.9%
Less: Provision for asset impairment	(1,432,281)		(1,126,057)		27.2%
Net value of interest-earning assets	59,695,326		53,524,165		11.5%

The maturity profile of the net interest-earning assets

The Group formulated reasonable business investment strategies according to its strategic plan so as to ensure sustainable and steady cash inflow. As at 31 December 2021, the maturity profile 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 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
Within 1 year	20,936,076	34.3%	18,529,766	33.9%	13.0%
1-2 years	17,079,116	27.9%	15,347,527	28.1%	11.3%
2-3 years	12,370,147	20.2%	11,025,603	20.2%	12.2%
Over 3 years	10,742,268	17.6%	9,747,326	17.8%	10.2%
Net interest-earning assets	61,127,607	100.0%	54,650,222	100.0%	11.9%

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 2021, the Group had non-performing assets of RMB601.1 million, representing an increase of RMB53.2 million as compared to 31 December 2020. 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 2021, the Group's non-performing assets ratio was 0.98%.

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

	31 December 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Pass	**53,626,877**	**87.73%**	45,008,862	82.36%	19.1%
Special attention	**6,899,668**	**11.29%**	9,093,464	16.64%	-24.1%
Substandard	**479,105**	**0.78%**	485,990	0.89%	-1.4%
Doubtful	**78,704**	**0.13%**	61,906	0.11%	27.1%
Loss	**43,253**	**0.07%**	–	–	100.0%
Net interest-earning assets	**61,127,607**	**100.00%**	54,650,222	100.00%	11.9%
Non-performing assets[1]	**601,062**		547,896		9.7%
Non-performing assets ratio[2]	**0.98%**		1.00%		

(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 – 7. Risk Management" in this report for more details of the five-category classification.

Ratio of overdue interest-earning assets

In 2021, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. As at 31 December 2021, the overdue ratio (over 30 days) was 0.76%, decreased by 0.18 percentage point as compared to 0.94% at the end of the previous year.

The following table sets forth the ratio of the Group's interest-earning assets overdue for over 30 days:

	31 December 2021	31 December 2020
Overdue ratio (over 30 days)[1]	**0.76%**	0.94%

(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 2021, the Group's provision coverage ratio was 238.29%, representing an increase of 32.77 percentage points as compared to the end of the previous year. With the expansion of its business, the Group's management believes that it is imperative to take prudent measures to protect the Group against systematic risks and move towards the international standards and practices. As such, the Group maintained its asset provision coverage ratio at an appropriate level.

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

	As at 31 December 2021			
	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	**53,626,877**	**6,705,055**	**795,675**	**61,127,607**
Provision for impairment of interest-earning assets	**(589,413)**	**(498,358)**	**(344,510)**	**(1,432,281)**
Net value of interest-earning assets	**53,037,464**	**6,206,697**	**451,165**	**59,695,326**

	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

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 2021 RMB'000	31 December 2020 RMB'000
Write-off	–	41,686
Non-performing assets as at the end of last year	**547,896**	446,128
Write-off ratio[1]	–	9.34%

(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 the previous year.

Asset-backed securities related assets, etc.

In 2021, the Group sold interest-earning assets with a cumulative principal of approximately RMB3,801 million through the asset-backed securities business, all of which belonged to urban public utility. The Group will actively expand the asset-backed securities business in the future based on the needs of business development. As at 31 December 2021, the balance of the subordinated shares held by the Group for the asset-backed securities business was RMB148.8 million. As an asset management service provider for off-balance sheet assets, the Group implemented prudent asset management policies in the manner of on-balance sheet assets and strengthened asset process monitoring. The quality of off-balance sheet assets was steady at the end of 2021, with no significant abnormality in asset quality.

As at 31 December 2021, the balance of the Group's assets with continuing involvement was RMB257.2 million. In accordance with the accounting standards, for the above-mentioned asset-backed securities business, the Group continued to bear risks due to credit enhancement measures such as self-held subordinate shares. The Group recognized continuing involvement in assets and liabilities.

3.1.3.2 Accounts receivable

As at 31 December 2021, the Group's net accounts receivables was RMB869.2 million, representing an increase of RMB198.4 million or 29.6% as compared to the end of the previous year. The increase in accounts receivables was mainly due to the extension of local medical insurance settlement in our affiliated hospitals caused by the adjustment of local medical insurance payment.

3.1.4 Other assets

As at 31 December 2021, the Group's balance of inventory was RMB265.4 million, representing an increase of RMB67.4 million as compared to the beginning of the year, which was mainly due to the addition of newly consolidated medical institutions in 2021 and the decrease in inventory turnover of the Group's medical institutions in Xi'an caused by the pandemic at the end of 2021.

As at 31 December 2021, the Group's balance of right-of-use assets was RMB794.7 million, of which, right-of-use assets recognized in office lease was RMB72.8 million and balance of right-of-use assets increased by RMB31.6 million as compared to the beginning of the year, and such increase was mainly due to the increase of land use right from newly consolidated medical institutions of the Group.

As at 31 December 2021, the Group's balance of property, plant and equipment was RMB2,523.3 million, representing an increase of RMB176.7 million as compared to the beginning of the year, which was mainly due to the increase of balance of property, plant and equipment from newly consolidated medical institutions of the Group.

As at 31 December 2021, the Group's balance of prepayments, other receivables and other assets was RMB890.9 million, representing an increase of RMB583.8 million as compared to the beginning of the year, which was mainly due to the increase of other receivables from medical institutions newly acquired by the Group and the increase of assets resulting from the subordinated portion of the Group's asset-backed securities business.

As at 31 December 2021, the balance of the Group's investment in joint ventures was RMB476.0 million, which was the investment in Sichuan Huankang Hospital Management Co., Ltd. (四川環康醫院管理有限公司); the balance of investment in associates was RMB4.3 million, which was the investment in the associates of Ansteel General Hospital.

As at 31 December 2021, the Group's balance of goodwill was RMB102.3 million, representing an increase of RMB32.3 million as compared to the beginning of the year, which included goodwill of RMB58.9 million arising from the acquisition of Xi'an XD Group Hospital, goodwill of RMB32.3 million arising from the acquisition of Pangang Xichang Hospital (攀鋼西昌醫院), 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), goodwill of RMB0.8 million arising from the acquisition of Ansteel General Hospital and goodwill of RMB1.0 million arising from the acquisition of Xianyang Caihong Hospital (咸陽彩虹醫院) by the Group.

3.2 Overview of Liabilities

As at 31 December 2021, the Group's total liabilities amounted to RMB52,276.5 million, representing an increase of RMB5,730.9 million, or 12.3%, as compared to the end of the previous year. The balance of interest-bearing bank and other borrowings amounted to RMB44,172.6 million, representing an increase of RMB4,191.2 million, or 10.5%, as compared to the end of the previous year, accounting for 84.5% of the total liabilities; balance of other payables and accruals amounted to RMB6,071.0 million, representing an increase of RMB861.4 million, or 16.5%, as compared to the end of the previous year, accounting for 11.6% of the total liabilities.

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

	31 December 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Interest-bearing bank and other borrowings	**44,172,571**	**84.5%**	39,981,341	85.9%	10.5%
Trade payable	**1,111,983**	**2.1%**	868,396	1.9%	28.1%
Other payables and accruals	**6,070,967**	**11.6%**	5,209,549	11.2%	16.5%
Derivative financial instruments	**554,217**	**1.1%**	413,333	0.9%	34.1%
Taxes payable	**109,608**	**0.2%**	73,059	0.1%	50.0%
Other non-current liabilities	**257,200**	**0.5%**	–	–	100.0%
Total	**52,276,546**	**100.0%**	46,545,678	100.0%	12.3%

3.2.1 Interest-bearing bank and other borrowings

In 2021, China's economy continued to recover steadily, remarkable progress was achieved in pandemic prevention and control, and prudent monetary policies were maintained in a flexible, precise, reasonable and appropriate manner. The Group was committed to the new development concept, and strove to build a diversified, stable financing system at multiple levels with multiple channels. The Group has made continued efforts to enrich its financing varieties, optimize the financing structure, and strengthen the innovation of financing tools to maintain its competitive edge on the debt side. In the direct financing market, the Group further increased the number of stable investors, and introduced renewable corporate bonds and asset-backed securities. Leveraging the advantages of domestic AAA ratings and efficient bond issuance capabilities, the Group issued multiple tranches of lower-cost long- and short-term bonds alternately in the inter-bank market and the Shanghai Stock Exchange in a timely manner. In addition, in March 2021, the Group issued convertible bonds of USD150 million, which not only effectively improved the equity structure of the Company, but also raised long-term operating and development funds for the Company. In the indirect financing market, the Group further developed financing institutions, and established strategic partnerships with several core financial institutions such as large commercial banks, joint-stock commercial banks and foreign banks to conduct extensive, in-depth and long-term cooperation in the direction of finance and industry. Meanwhile, the Group continued to steadily promote overseas financing, and actively expanded foreign currency syndicated and bilateral loans business to strongly support diversified and stable funding resources.

The Group's interest-bearing bank and other borrowings are mainly used to provide capital for its finance lease business. As at 31 December 2021, the balance of the Group's interest-bearing bank and other borrowings was RMB44,172.6 million, representing an increase of RMB4,191.2 million or 10.5% as compared to 31 December 2020. 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 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Bank loans	**24,307,281**	**55.0%**	20,308,798	50.8%	19.7%
Due to related parties	**2,275,140**	**5.2%**	3,942,679	9.9%	-42.3%
Bonds	**15,690,243**	**35.5%**	13,555,787	33.9%	15.7%
Other loans	**1,899,907**	**4.3%**	2,174,077	5.4%	-12.6%
Total	**44,172,571**	**100.0%**	39,981,341	100.0%	10.5%

As at 31 December 2021, the balance of the Group's bank loans amounted to RMB24,307.3 million, accounting for 55.0% of the total interest-bearing bank and other borrowings, representing an increase of 4.2 percentage points as compared to 50.8% as at 31 December 2020. In 2021, the Group continuously strengthened its cooperation with banks 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 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
RMB	**30,685,498**	**69.5%**	28,836,246	72.1%	6.4%
USD	**9,876,493**	**22.3%**	6,890,376	17.2%	43.3%
HKD	**3,610,580**	**8.2%**	4,254,719	10.7%	-15.1%
Total	**44,172,571**	**100.0%**	39,981,341	100.0%	10.5%

As at 31 December 2021, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB30,685.5 million, which accounted for 69.5% of its total interest-bearing bank and other borrowings, representing a decrease of 2.6 percentage points as compared to 72.1% as at 31 December 2020. 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 managed the foreign exchange risk with foreign exchange derivatives.

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

	31 December 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Domestic	**29,586,998**	**67.0%**	27,736,746	69.4%	6.7%
Overseas	**14,585,573**	**33.0%**	12,244,595	30.6%	19.1%
Total	**44,172,571**	**100.0%**	39,981,341	100.0%	10.5%

As at 31 December 2021, the Group's domestic financing balance was RMB29,587.0 million, accounting for 67.0% of the total interest-bearing bank and other borrowings, representing a decrease of 2.4 percentage points as compared to 69.4% as at 31 December 2020.

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

	31 December 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Current	**14,745,821**	**33.4%**	19,850,230	49.6%	-25.7%
Non-current	**29,426,750**	**66.6%**	20,131,111	50.4%	46.2%
Total	**44,172,571**	**100.0%**	39,981,341	100.0%	10.5%

As at 31 December 2021, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB14,745.8 million, accounting for 33.4% of its total interest-bearing bank and other borrowings, representing a decrease of 16.2 percentage points as compared to 49.6% at the end of previous year. In 2021, on the premise that sufficient liquidity is ensured, the Group continued to optimize financing structure, therefore, the ratio of current liabilities decreased and the overall maturity structure of liabilities remained stable and favourable.

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

	31 December 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Secured	**6,257,778**	**14.2%**	5,428,995	13.6%	15.3%
Unsecured	**37,914,793**	**85.8%**	34,552,346	86.4%	9.7%
Total	**44,172,571**	**100.0%**	39,981,341	100.0%	10.5%

As at 31 December 2021, the Group's total secured interest-bearing bank and other borrowings amounted to RMB6,257.8 million, accounting for 14.2% of its total interest-bearing bank and other borrowings, representing an increase of 0.6 percentage point as compared to 13.6% at the end of previous year. The Group's secured assets were mainly interest-earning 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 increased 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 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Direct financing	**15,690,243**	**35.5%**	13,555,787	33.9%	15.7%
Indirect financing	**28,482,328**	**64.5%**	26,425,554	66.1%	7.8%
Total	**44,172,571**	**100.0%**	39,981,341	100.0%	10.5%

As at 31 December 2021, the total balance of the direct financing of the interest-bearing bank and other borrowings amounted to RMB15,690.2 million, accounting for 35.5% of its total interest-bearing bank and other borrowings, representing an increase of 1.6 percentage points as compared to 33.9% as at the end of the previous year. In 2021, 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 Company's development.

3.2.2 *Other payables and accruals*

Other payables and accruals primarily comprise the collection of payments related to asset-backed securities, the lease deposits paid by customers, the accrued interests on borrowings, as well as the accrued salary and welfare payables. As at 31 December 2021, other payables and accruals amounted to RMB6,071.0 million in total, representing an increase of RMB861.4 million as compared to the end of the previous year, mainly due to increase in the collection of payments related to asset-backed securities and lease deposits of the Group.

3.3 Shareholders' Equity

As at 31 December 2021, the Group's total equity was RMB17,623.3 million, representing an increase of RMB2,657.9 million or 17.8% as compared to the end of the previous year, among which the non-controlling interests were RMB2,857.4 million, representing an increase of RMB315.0 million or 12.4% as compared to the end of the previous year, which was mainly due to the increase of non-controlling interests from the newly acquired medical institutions.

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

	31 December 2021		31 December 2020		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Share capital[1]	**5,297,254**	**30.1%**	4,327,842	28.9%	22.4%
Equity attributable to holders of convertible corporate bonds[2]	**75,486**	**0.4%**	–	–	100.0%
Reserves	**7,731,249**	**43.9%**	6,442,672	43.1%	20.0%
Equity attributable to owners of the parent	**13,103,989**	**74.4%**	10,770,514	72.0%	21.7%
Equity attributable to holders of renewable corporate bonds[3]	**1,661,840**	**9.4%**	1,652,387	11.0%	0.6%
Non-controlling interests	**2,857,426**	**16.2%**	2,542,434	17.0%	12.4%
Total	**17,623,255**	**100.0%**	14,965,335	100.0%	17.8%

(1) On 8 March 2021, 175,235,081 new Shares were allotted and issued by the Company to Million Surplus Developments, a member of Yuanzhi Group. The gross proceeds raised from the subscription were USD150 million, and the net proceeds raised from the subscription, after deduction of the related expenses, were approximately USD149.6 million.

(2) On 25 March 2021, Genertec Universal Medical Development (BVI) Co., Ltd., a wholly-owned subsidiary of the Company, issued the convertible bonds in an aggregate principal amount of USD150 million, which are guaranteed by the Company and bear the interest rate of 2.0% per annum. The net proceeds raised from the issue of the convertible bonds, after deduction of the related expenses, were approximately USD148 million. On 18 June 2021, the conversion price of the convertible bonds was adjusted from HKD6.56 to HKD6.47 due to declaration and payment of final dividends for the year of 2020 by the Company.

(3) On 26 December 2018, CULC issued the renewable corporate bonds of an aggregate principal amount of RMB1,660 million in the PRC, with a basic term of three years from 27 December 2018. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 6%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds. On 27 December 2021, the Group redeemed the renewable corporate bonds in full.

On 28 June 2021, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB500 million in the PRC, with a basic term of two years from 29 June 2021. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 5.1%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

On 25 October 2021, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB670 million in the PRC, with a basic term of two years from 25 October 2021. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 4.83%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

On 16 November 2021, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB480 million in the PRC, with a basic term of one year from 16 November 2021. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 3.77%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

4. CASH FLOWS ANALYSIS

In 2021, the Group's net cash outflow from operating activities amounted to RMB1,400.6 million, representing an increase of outflow of RMB428.9 million as compared to that of the previous year, which was mainly due to the orderly resumption of the domestic production that led to increased scale in finance lease business as compared to the previous year. Net cash outflow from investing activities amounted to RMB664.5 million, representing an increase of outflow of RMB368.0 million as compared to that of the previous year, primarily due to the investment in business arrangement of asset-backed securities issued by the Group. Net cash inflow from financing activities amounted to RMB2,391.8 million, representing an increase of inflow of RMB2,426.4 million as compared to that of the previous year, primarily due to the issuance of corporate convertible bonds and the increase in financing demand in response to the increase in scale of finance lease business.

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

	For the year ended 31 December		
	2021	2020	
	RMB'000	RMB'000	Change %
Net cash flows used in operating activities	**(1,400,570)**	(971,721)	44.1%
Net cash flows used in investing activities	**(664,522)**	(296,531)	124.1%
Net cash flows generated from/(used in) financing activities	**2,391,778**	(34,628)	7,007.1%
Effect of exchange rate changes on cash and cash equivalents	**(21,143)**	(46,452)	-54.5%
Net increase in cash and cash equivalents	**305,543**	(1,349,332)	122.6%

5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains healthy capital ratios, so as to support the Group's business and maximize its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital status. As at 31 December 2021, no change was made to the Group's objectives, policies or processes for capital management.

Debt ratio

	31 December 2021 RMB'000	31 December 2020 RMB'000
Total assets	**69,899,801**	61,511,013
Total liabilities	**52,276,546**	46,545,678
Total equity	**17,623,255**	14,965,335
Debt ratio	**74.79%**	75.67%

Gearing ratio

	31 December 2021 RMB'000	31 December 2020 RMB'000
Interest-bearing bank and other borrowings	**44,172,571**	39,981,341
Total equity	**17,623,255**	14,965,335
Gearing ratio	**2.51**	2.67

As at 31 December 2021, the Group's debt ratio and gearing ratio decreased slightly as compared to the end of the previous year.

6. CAPITAL EXPENDITURE

The Group's capital expenditure primarily consists of expenditure on the purchase of medical equipment, other equipment expenditure relating to the Group's operating lease business, construction expenditure on hospital projects and expenditure relating to office facilities. In 2021, the Group had capital expenditure of RMB385.1 million.

Use of Proceeds from the Initial Public Offering

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 July 2015. On 30 July 2015, after deducting underwriting commissions and all related expenses, the net proceeds from the initial public offering amounted to approximately RMB2,775.5 million. As of 31 December 2021, 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 2021, 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 2021, the Group utilized RMB175.6 million in research and development and operation of hospital digitalization business, and RMB60.4 million in development of CVA project solutions and clinical department upgrade services in other new areas.

As of 31 December 2021, 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 RMB32.1 million and RMB10.0 million, respectively. The remaining amount of RMB10.0 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 RMB32.1 million for hospital digitalization business will be used in coming years, according to the Company's development strategy and plan, for the development and operation of hospital digitalization business, further recruitments to expand our technology solutions team, continuous development of proprietary information management system for hospitals as well as related marketing activities.

Use of Proceeds from the Issue of New Shares

On 8 March 2021, 175,235,081 new Shares were allotted and issued by the Company to Million Surplus Developments, and the net proceeds raised from the issue of new Shares were approximately RMB969.4 million (equivalent to approximately USD149.6 million). As at 31 December 2021, it is expected that the Group would not make any change to the planned use of the proceeds as set out in the announcement dated 5 February 2021.

In 2021, the Group used RMB243.6 million for further expansion and development of the hospital group business; and RMB50.9 million for expansion of the health industry chain business.

As of 31 December 2021, among the remaining net proceeds from the issue of new Shares by the Company, RMB435.0 million was intended to be applied to the hospital group business and RMB239.9 million was intended to be applied to the health industry chain business.

The Group would continue to enhance the post-investment management of its medical institutions, and comprehensively improve medical technology, management efficiency and service capabilities of those medical institutions by focusing on discipline construction, operation management, organization management, service system innovation and hospital digitalization. The Group would further develop and invest in internet medical treatment, manage and promote specialist hospitals, explore medical testing and technology services, maintenance of medical equipment and combination of medical care with elderly care, in order to build a healthcare industry ecosystem and achieve synergy with the Company's hospital group business.

Use of Proceeds from the Issue of the Convertible Bonds

Considering, among other things, (i) the experiences and resources that would be brought by CITIC Capital (as a long-term strategic investor of the Company) to the Group, and (ii) the new funding to be raised to support the Group's continuing growth and strategic development, 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) entered into a subscription agreement in relation to, among others, the issue of the convertible bonds in an aggregate principal amount of USD150,000,000. The initial conversion price is HKD6.56 per conversion share, representing a premium of approximately 14.29% over the closing price of HKD5.74 per Share as quoted on the Stock Exchange on 29 December 2020, being the date of the subscription agreement. The issuance of the convertible bonds was completed on 25 March 2021 and the Group raised net proceeds of approximately RMB966.2 million (equivalent to approximately USD148.0 million). On 18 June 2021, the conversion price of the convertible bonds was adjusted from HKD6.56 to HKD6.47 due to declaration and payment of final dividends for the year of 2020 by the Company. Please refer to the Company's announcements dated 29 December 2020, 25 March 2021 and 10 June 2021, and the Company's circular dated 14 January 2021 for further details.

As of 31 December 2021, it is expected that the Group would not make any change to the planned use of the proceeds as disclosed in the Company's announcement dated 29 December 2020 and the Company's circular dated 14 January 2021.

In 2021, the Group used RMB562.0 million for investment in the lease business of the Company and RMB136.9 million for repayment of due working capital loan of the Company, all of which has been fully used in accordance with the purposes as disclosed by the Company.

In 2021, the Group used RMB181.6 million for investment in the hospital acquisition projects.

As of 31 December 2021, RMB85.7 million of the remaining net proceeds from the issue of convertible bonds of the Group was intended to be applied for the hospital group business, which will be used for investment in hospital acquisition projects and subsequent operation investments in the future.

7. RISK MANAGEMENT

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

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

7.1 Interest Rate Risk

Interest rate risk is the risk arising from the fluctuation of financing instrument or future cash flows as a result of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's interest-bearing bank and other borrowings and interest-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 2021 RMB'000	31 December 2020 RMB'000
Change in base points		
+100 base points	**19,980**	131,546
-100 base points	**(19,980)**	(131,546)

7.2 Currency Risk

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

The Group conducts its business mainly in RMB, with certain financing activities denominated in USD and 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 2021, the Group's exposure to foreign exchange risk amounted to USD2,115.4 million, USD2,103.7 million or 99.4% of which had been hedged against by various financial instruments. Thus, the Group's exposure to foreign exchange risk is basically covered.

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

		Increase/(decrease) in profit before tax	
	Change in exchange rate %	**31 December 2021 RMB'000**	31 December 2020 RMB'000
If RMB strengthens against USD/HKD	(1)	**(818)**	(808)
If RMB weakens against USD/HKD	1	**818**	808

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been linked to the USD and therefore the exchange rate of RMB to HKD has fluctuated and will fluctuate in line with the changes in the exchange rate of RMB to USD. The analysis calculates the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax.

7.3 Credit Risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations. The Group enters into transactions only with 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 interest-earning assets, 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 interest-earning assets of the Group. Interest-earning assets 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 interest-earning assets 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 lessees, for example, if payments have been overdue and the financial position of the lessee has worsened, then the interest-earning assets 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 interest-earning assets 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 interest-earning assets 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 interest-earning assets 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 interest-earning assets 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 year, 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 interest-earning assets. Under this categorization system, the Group's assets related to interest-earning assets 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 2021		31 December 2020	
	RMB'000	**% of total**	RMB'000	% of total
Healthcare	**22,267,645**	**36.4%**	28,971,620	53.0%
Urban public utility	**36,433,511**	**59.6%**	22,233,552	40.7%
Others	**2,426,451**	**4.0%**	3,445,050	6.3%
Total	**61,127,607**	**100.0%**	54,650,222	100.0%

Although the customers of the Group are mainly concentrated in the healthcare industry and urban public utility industry, there is no significant credit risk concentration within the Group as healthcare industry relates closely to people's basic livelihood and is weakly correlated to the economic cycle, the development fundamentals of urban public utility are sound, and systematic risks are under control.

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Net interest-earning assets	**60,299,526**	53,552,416
Accounts receivables	**869,232**	670,816
Other receivables	**321,350**	138,218
Derivative financial assets	**6,915**	9,173
Bills receivables	**759**	430

7.4 Liquidity Risk

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

The Group manages its liquidity risk through daily, monthly and quarterly monitoring with the following objectives: maintaining flexibility in funding by keeping sufficient available loan facilities or loan commitments provided by banks and other financial institutions, making projections of 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 2021						
Total financial assets	**2,549,728**	**8,427,907**	**17,790,914**	**45,335,319**	**–**	**74,103,868**
Total financial liabilities	**(572,507)**	**(4,869,060)**	**(13,585,669)**	**(34,182,832)**	**(5,878)**	**(53,215,946)**
Net liquidity gap[1]	**1,977,221**	**3,558,847**	**4,205,245**	**11,152,487**	**(5,878)**	**20,887,922**
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

(1) A positive liquidity gap indicates financial assets are more than financial liabilities and there is no funding gap, while a negative net liquidity gap indicates otherwise.

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

8. PLEDGE OF GROUP ASSETS

As at 31 December 2021, the Group had interest-earning assets of RMB6,595.8 million and cash of RMB781.9 million pledged or paid to banks to secure the bank borrowings.

9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 25 January 2021, Hospital Investment Co., Ltd., a wholly-owned subsidiary of the Company, and Xichang New Steel entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which, both parties agreed to establish a joint venture ("Joint Venture") with cash of RMB176.42 million contributed by Hospital Investment Co., Ltd., and 100% assessed equity of Liangshan Panxin Health Management Company Limited (涼山州攀新健康管理有限公司) contributed by Xichang New Steel. Pursuant to the Cooperation Agreement, the Joint Venture, upon its establishment, will be held as to 51% and 49% by Hospital Investment Co., Ltd. and Xichang New Steel, respectively.

On 29 December 2021, Genertec Universal (Tianjin) Hospital Group Co., Ltd. (通用環球(天津)醫院集團有限公司) ("Hospital Group Co."), a wholly-owned subsidiary of the Company entered into a capital increase agreement (the "Capital Increase Agreement") with Anhui Luzhou Hospital Co., Ltd. (安徽廬州醫院有限公司) ("Anhui Luzhou Hospital"), pursuant to which, both parties agreed to increase the capital of Anhui Luzhou Hospital with cash of RMB200 million by Hospital Group Co., and invest in Anhui Luzhou Hospital with the hospital's existing net assets, relevant medical resources and cash by the existing individual shareholders of Anhui Luzhou Hospital. Pursuant to the Capital Increase Agreement, upon completion of the above steps, Hospital Group Co. would hold 83.33% equity interest in Anhui Luzhou Hospital.

There were no significant investments held, nor were there any material disposals of subsidiaries during the year ended 31 December 2021.

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

10.1 Contingent Liabilities

	31 December 2021 RMB'000	31 December 2020 RMB'000
Legal proceedings	**–**	–
Claimed amounts	**–**	–

10.2 Capital Commitments and Credit Commitments

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Capital expenditure under signed contracts but not appropriated[1]	**1,645,398**	1,584,121
Credit commitments[2]	**6,690,000**	568,952

(1) Capital expenditure under signed contracts but not appropriated during the year represents unpaid amounts for medical equipment under contracts signed by hospitals and the unpaid amounts for construction and operation projects contracted by hospitals.

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

11. HUMAN RESOURCES

As of 31 December 2021, we had a total of 15,242 employees, representing an increase of 1,556 or 11.37%, compared to 13,686 employees as of 31 December 2020, which is mainly due to transfer of employees from acquired hospitals.

We have a highly-educated and high-quality work force, with about 55.2% of our employees holding bachelor's degrees and above, about 6.98% holding master's degrees and above, about 38.6% with intermediate title and above, and about 13.96% with senior vice title and above as of 31 December 2021.

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 2021, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material respects.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2021 save for the deviation from code provisions A.4.2 and A.2.1 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 who receive the code and are informed that they shall be subject to the code 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 2021.

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

BOARD OF DIRECTORS

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

The Board of the Company comprises the following directors during the year ended 31 December 2021:

Executive Directors:
Ms. Peng Jiahong *(Chairwoman)*
Mr. Wang Wenbing *(Chief Executive Officer)*[7]
Mr. Yu Gang

Non-executive Directors:
Mr. Zhao Yan *(Vice-chairman)*[5]
Mr. Tong Chaoyin[2]
Mr. Che Lingyun[9]
Mr. Feng Songtao[8]
Mr. Zhu Ziyang[3]
Mr. Zhang Yichen[4]
Ms. Liu Kun[6]
Mr. Liu Zhiyong[6]
Mr. Liu Xiaoping[1]
Mr. Su Guang[1]

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

Notes:

(1) Resigned with effect from 6 March 2021
(2) Appointed with effect from 14 May 2021
(3) Appointed with effect from 7 July 2021
(4) Resigned with effect from 27 August 2021
(5) Appointed with effect from 27 August 2021
(6) Resigned with effect from 9 September 2021
(7) Appointed with effect from 13 September 2021
(8) Appointed with effect from 13 September 2021 and resigned with effect from 9 February 2022
(9) Appointed with effect from 1 March 2022

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 76 to 85 of this annual report.

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

Chairwoman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company should be separate and should not be performed by the same individual. From 27 August 2021 to 13 September 2021, Ms. Peng Jiahong assumed the roles of both the chairwoman of the Board and the chief executive officer of the Company, which constituted a deviation from the code provision A.2.1 of CG Code. Please refer to the Company's announcements dated 27 August 2021 and 13 September 2021 for further details. On 13 September 2021, Mr. Wang Wenbing was appointed as an executive Director and the chief executive officer of the Company. With effect from the same day, Ms. Peng Jiahong no longer acted as the chief executive officer of the Company, and the Company re-complies with code provision A.2.1.

The Chairwoman 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 2021, 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 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

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Li Yinquan, Mr. Chow Siu Lui and Mr. Tong Chaoyin. 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 2020 and the interim financial results and reports in respect of the six months ended 30 June 2021, 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 two non-executive Directors and three independent non-executive Directors, namely Mr. Chow Siu Lui, Mr. Zhao Yan, Mr. Che Lingyun, Mr. Li Yinquan 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 held three meetings 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. The Remuneration Committee also discussed and recommended to the Board the appointment of new Directors and reviewed the service contracts and letters of appointment at the meetings.

Nomination Committee

The Nomination Committee consists of one executive Director, one non-executive Director and three independent non-executive Directors, namely Ms. Peng Jiahong, Mr. Che Lingyun, Mr. Li Yinquan, Mr. Chow Siu Lui and Mr. Liao Xinbo. Ms. Peng Jiahong is the chairwoman 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 and recommend to the Board the appointment of new Directors, 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

The Risk Control Committee consists of one executive Director and two non-executive Directors, namely Mr. Zhu Ziyang, Mr. Wang Wenbing and Mr. Tong Chaoyin. Mr. Zhu Ziyang 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 2021 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. Zhao Yan and Mr. Zhu Ziyang. 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 agreed with the direction of the development strategy and reasonable and pragmatic income target. The Strategy Committee also advised the Company that it should conduct in-depth discussions on the finance business development strategy according to changes in the external environment. The Company should also seize the opportunity and lay a sound foundation to further explore the new fields and continue to accomplish high quality 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	2021 AGM	2021 EGM
Peng Jiahong	8/8	N/A	N/A	N/A	1/1	1/1	1/1	2/2
Wang Wenbing#7	1/2(7)	N/A	N/A	N/A	N/A	N/A	N/A	0/1(7)
Yu Gang	8/8	N/A	N/A	N/A	N/A	N/A	1/1	2/2
Zhao Yan#4	4/4(5)	N/A	2/2(5)	N/A	N/A	N/A	N/A	1/1(5)
Tong Chaoyin#2	6/6(2)	1/1(2)	N/A	N/A	N/A	N/A	1/1(2)	1/1(2)
Feng Songtao#8	3/3(7)	N/A	2/2(7)	N/A	N/A	N/A	N/A	1/1(7)
Zhu Ziyang#3	5/5(3)	N/A	N/A	N/A	1/1(3)	N/A	N/A	1/1(3)
Li Yinquan	8/8	2/2	2/2	N/A	N/A	N/A	1/1	2/2
Chow Siu Lui	8/8	2/2	3/3	1/1	N/A	N/A	1/1	2/2
Han Demin	8/8	N/A	3/3	N/A	N/A	N/A	1/1	2/2
Liao Xinbo	8/8	N/A	N/A	1/1	N/A	N/A	1/1	2/2
Zhang Yichen#5	5/5(4)	N/A	N/A	1/1(4)	N/A	1/1(4)	1/1(4)	1/1(4)
Liu Kun#6	5/5(6)	N/A	N/A	N/A	N/A	1/1(6)	1/1(6)	1/1(6)
Liu Zhiyong#6	5/5(6)	N/A	1/1(6)	N/A	1/1(6)	N/A	1/1(6)	1/1(6)
Liu Xiaoping#1	1/1(1)	N/A	N/A	N/A	N/A	N/A	N/A	1/1(1)
Su Guang#1	1/1(1)	N/A	N/A	N/A	N/A	N/A	N/A	1/1(1)

Notes:

#1 Resigned with effect from 6 March 2021
#2 Appointed with effect from 14 May 2021
#3 Appointed with effect from 7 July 2021
#4 Appointed with effect from 27 August 2021
#5 Resigned with effect from 27 August 2021
#6 Resigned with effect from 9 September 2021
#7 Appointed with effect from 13 September 2021
#8 Appointed with effect from 13 September 2021 and resigned with effect from 9 February 2022

(1) Up to 6 March 2021
(2) Since 14 May 2021
(3) Since 7 July 2021
(4) Up to 27 August 2021
(5) Since 27 August 2021
(6) Up to 9 September 2021
(7) Since 13 September 2021

Apart from the regular Board meetings, the former chairman Mr. Zhang Yichen (resigned with effect from 27 August 2021) 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 2021.

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 173 to 177 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 2021, the remuneration paid or payable to the Company's external auditor, Ernst & Young, is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	3,515
Non-audit Services	2,691
Total	6,206

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 department carrying out internal audit function

The Company has set up an audit department with guaranteed independence in terms of its organization, staffing and work. In performing its duties, the audit 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 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 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 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 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 department provides regular or irregular reports on audit work to the management.

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

In 2021, 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 2020. 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 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, finance 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 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 2021, 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 determining whether to disclose such information. The Company has strictly complied with the Inside Information Provisions (as defined under the Listing Rules) under the SFO and the Listing Rules. Through the implementation of *Manual on Disclosure of Inside Information and Information Necessary to Avoid a False Market* (《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 (Chairwoman).

For the year ended 31 December 2021, 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 29 January 2021, the Company convened an extraordinary general meeting, at which the ordinary resolution in respect of the connected transaction in relation to the subscription agreement dated 29 December 2020 entered into among Genertec Universal Medical Development (BVI) Co., Ltd. (the "Issuer"), the Company and CCP Leasing II Limited 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 was approved. Details of the connected transaction in relation to the issue of convertible bonds under specific mandate was disclosed in the Company's announcement dated 29 December 2020 and the Company's circular dated 14 January 2021.

On 24 December 2021, the Company convened another extraordinary general meeting, at which the ordinary resolution in respect of the revision of the annual caps for continuing connected transactions under the Deposit Service Framework Agreement was approved. Details of the revision of the annual caps was disclosed in the Company's announcement dated 11 November 2021 and the Company's circular dated 3 December 2021.

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 three executive Directors, four non-executive Directors and four independent non-executive Directors.

Ms. Peng Jiahong – Executive Director, Chairwoman of the Board

Ms. Peng Jiahong (彭佳虹女士), aged 51, is an executive Director, the chairwoman of the Board, chairwoman of each of the Strategy Committee and the Nomination Committee of the Company. She is primarily responsible for leading and chairing the Board and providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board, and she is also responsible for planning development strategy, business and management system 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 of the Company on 6 March 2015, and appointed as the vice-chairwoman of the Board and chief executive officer of the Company on 30 November 2018, and was re-designated as the chairwoman of the Board and appointed as the chairwoman of the Nomination Committee on 27 August 2021. She served as the chief financial 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 16 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's 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 held about 0.404% of the total number of issued shares of the Company as at 31 December 2021. By virtue of the SFO, Ms. Peng is deemed to be interested in the Shares owned by Evergreen.

Mr. Zhao Yan – Non-executive Director, Vice-Chairman of the Board

Mr. Zhao Yan (趙彥先生), aged 42, was appointed as the vice-chairman of the Board and a non-executive Director on 27 August 2021, and appointed as a member of each of the Remuneration Committee and the Strategy Committee of the Company on 13 September 2021.

Mr. Zhao has more than ten years of experience in private equity investment. Mr. Zhao has been a senior managing director of CITIC Capital Partners Advisory (Shanghai) Limited (鵬譽投資諮詢(上海)有限公司) since March 2015, responsible for private equity investment in China. Prior to that, he served as an executive director of CITIC Capital Partners (Shanghai) Limited (鵬威投資諮詢(上海)有限公司) from October 2008 to February 2015. Both of CITIC Capital Partners Advisory (Shanghai) Limited and CITIC Capital Partners (Shanghai) Limited are subsidiaries of CITIC Capital Holdings Limited (中信資本控股有限公司). From June 2019 to December 2020, he served as a non-executive director of Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), the shares of which are listed on the Stock Exchange (stock code: 6078). From September 2015 to January 2018, he served as a director of Tianjin Guifaxiang 18th Street Mahua Food Co., Ltd. (天津桂發祥十八街麻花食品股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002820).

Mr. Zhao obtained a bachelor's degree in engineering majoring in computer science and technology in July 2002 from Shanghai Jiaotong University (上海交通大學), where he also received his master's degree in computer application technology in March 2005.

EXECUTIVE DIRECTORS

Mr. Wang Wenbing – Executive Director, Chief Executive Officer

Mr. Wang Wenbing (王文兵先生), aged 48, was appointed as an executive Director, the chief executive officer of the Company and a member of the Risk Control Committee on 13 September 2021. He is primarily responsible for implementing the resolutions of the Board and presiding over the overall operation management and overall operation of the Group.

Mr. Wang has extensive experience in corporate governance. From December 2016 to November 2019, Mr. Wang served as the deputy general manager of the Company. From October 2020 to September 2021, Mr. Wang served as the director of the financial center of GT-PRC. He served as the general manager and party secretary of Genertec Finance Co., Ltd. (通用技術集團財務有限責任公司) from November 2019 to September 2021 and a director and deputy general manager of Genertec Finance Co., Ltd. from December 2012 to December 2016. Mr. Wang worked in the financial management department of GT-PRC from September 2006 to December 2012, serving as a deputy general manager of accounting department (in charge of work) and the manager of capital management department successively. He was the manager of the finance department of Genertec Italia S.R.L. (中國通用技術集團意大利公司) from September 2004 to September 2006, and the manager of the finance department of Genertec Europe Temax GmbH (通用技術歐洲德瑪斯有限公司) from May 2002 to September 2004. He worked in China National Technical Import and Export Corporation (中國技術進出口總公司) from July 1996 to May 2002 and his last position in that company was the chief of the finance department.

Mr. Wang obtained a bachelor's degree in accounting from the Central University of Finance and Economics (中央財經大學) in July 1996. He obtained a master's degree in accounting from the Postgraduate Section of the Research Institute for Fiscal Science of the Ministry of Finance (財政部財政科學研究所, currently known as Chinese Academy of Fiscal Sciences (中國財政科學研究院)) in September 2008 and a master's degree in finance from School of Finance at Central University of Finance and Economics (中央財經大學金融學院) in December 2016. Mr. Wang obtained a senior international finance manager (高級國際財務管理師) certificate from the International Financial Management Association (國際財務管理協會) in August 2007. He was qualified as a senior accountant (高級會計師) in October 2017 and a senior economist (高級經濟師) in October 2020, respectively, by the Appraisal and Approval Committee for Professional & Technical Qualification of GT-PRC (通用技術集團專業技術資格評審委員會).

Mr. Yu Gang – Executive Director

Mr. Yu Gang (俞綱先生), aged 58, is an executive Director. He is primarily responsible for work of party committee and human resources affairs. Mr. Yu was appointed as an executive 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 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 April 2009. He served as a vice leader of the discipline inspection group of the leading party member's group and director of discipline inspection office of GT-PRC from May 2009 to November 2018. He served as a deputy secretary of the discipline inspection committee of GT-PRC from May 2009 to December 2018. Mr. Yu also served 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 from May 2019 to July 2020.

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

Mr. Tong Chaoyin – Non-executive Director

Mr. Tong, aged 57, was appointed as a non-executive Director and a member of the Audit Committee on 14 May 2021 and was appointed as a member of the Risk Control Committee on 13 September 2021. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Tong has extensive experience in corporate governance. Mr. Tong has served as a director of China Meheco Group Co., Ltd. (中國醫藥健康產業股份有限公司) (whose shares are listed on the Shanghai Stock Exchange (stock code: 600056)) since May 2021. He served as a general manager assistant and the board secretary of GT-PRC from February 2010 to August 2019 and December 2018 to March 2021, respectively. From October 2005 to December 2018, Mr. Tong served in several positions in China Xinxing Group Co., Ltd. (中國新興集團有限責任公司, previously known as China Xinxing Corporation (Group) (中國新興(集團)總公司), a wholly-owned subsidiary of GT-PRC), including general manager, secretary of the Party Committee (黨委書記) and chairman of the company. From December 2001 to October 2005, Mr. Tong served as the general manager of China Xinxing Real Property Development Company (中國新興實業發展公司, currently known as China Xinxing Asset Management Co., Ltd. (中國新興資產管理有限責任公司), a subsidiary of China Xinxing Group Co., Ltd.). From July 1989 to December 2001, Mr. Tong served in several positions in China Xinxing Group Co., Ltd., including vice president of the Legal and Audit Department (法律審計部副部長) and head of the Legal Consulting Department (法律顧問處處長).

Mr. Tong graduated from Nankai University (南開大學) in July 1986 with a bachelor's degree in law, and graduated from China University of Political Science and Law (中國政法大學) in July 1989 with a master's degree in law. He obtained the certificate of senior economist granted by China Xinxing Group Co., Ltd. in October 1996, and was qualified as Level-One In-house Legal Counsel (企業一級法律顧問) by GT-PRC in September 2010.

Mr. Che Lingyun – Non-executive Director

Mr. Che Lingyun (車凌雲先生), aged 45, was appointed as a non-executive Director and a member of each of the Remuneration Committee and the Nomination Committee with effect from 1 March 2022. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Che Lingyun has over ten years of experience in accounting and financing management and more than ten years of experience in corporate management. Prior to joining the Company, from July 1998 to June 2004, he successively served as an assistant accountant in accounting department and a president assistant in finance and asset management department of Beijing Machine Tool Research Institute (北京機床研究所, "BMTI", currently known as Beijing Machine Tool Research Institute Co., Ltd. (北京機床研究所有限公司)), which is a wholly-owned subsidiary of the Company's controlling shareholder GT-PRC. From June 2004 to August 2014, he successively served as a vice-president, the president of the finance department, the president of the finance department of industrial research and precision mechatronics (工研精機財務部), an assistant to general manager and a deputy general manager of Beijing Machine Tool Research Institute Precision Mechatronics. Co., Ltd. (北京機床所精密機電有限公司). From August 2014 to May 2017, he served in Beijing FANUC Co., Ltd. (北京發那科機電有限公司) as a deputy general manager. From November 2016 to March 2021, he served in BMTI as the secretary of the disciplinary committee (紀委書記) and later as the party committee member concurrently. From March 2021 to November 2021, he served as a secretary of the disciplinary committee of China National Machinery Import & Export Corporation (中國機械進出口(集團)有限公司), a wholly-owned subsidiary of GT-PRC. Mr. Che has concurrently served as a vice-president of the human resources department and the head (主任) of the service center of retired officials of GT-PRC since November 2021.

Mr. Che obtained his bachelor's degree in engineering from Huainan Institute of Technology (淮南工業學院, currently known as Anhui University of Science and Technology (安徽理工大學)) in July 1998. He further obtained his master's degree in business management from Guanghua School of Management, Peking University in July 2007. He also obtained his senior accountant license granted by Beijing Appraisal and Approval Committee for Senior Professional and Technical Qualification (北京市高級專業技術資格評審委會) in May 2010.

Mr. Zhu Ziyang – Non-executive Director

Mr. Zhu Ziyang (朱梓陽先生), aged 26, was appointed as a non-executive Director and a member of each of the Risk Control Committee and the Strategy Committee with effect from 7 July 2021. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Zhu has been a non-executive director of Ping An Healthcare and Technology Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1833)) since 10 December 2021. He has been the vice president of Hopson Development Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 0754)) ("Hopson Development") since July 2021, responsible for operation of the Group's technology sector. He has been the head for the smart medical sector of Guangdong Yuanzhi Technology Group Co., Ltd. (廣東元知科技集團有限公司, "Yuanzhi Technology") since June 2021, primarily responsible for operation and management of its smart medical sector. Mr. Zhu has been the head for the traditional Chinese medicine sector of Yuanzhi Technology since May 2020, primarily responsible for operation and management of its traditional Chinese medicine sector. Prior to that, he served as the assistant to the principal of the strategy committee (戰略委員會主任助理) of Hopson Development from June 2017 to May 2020.

Mr. Zhu obtained his bachelor's degree in management from Beijing Institute of Technology (北京理工大學) in June 2017. Mr. Zhu is a nephew of Mr. Chu Mang Yee (朱孟依), a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Yinquan – Independent Non-executive Director

Mr. Li Yinquan (李引泉先生), aged 66, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Audit Committee. He was appointed as a member of each of the Remuneration Committee and the Nomination Committee on 13 September 2021.

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, 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, and 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. 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 the 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, and the chief executive officer of China Merchants Capital Investment 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) Co., Ltd.) (whose shares are listed on the Main Board of the Stock Exchange (stock code: 144)) from June 2001 to March 2015 and a non-executive director of China Merchants Bank Co., Ltd. (whose shares are listed on the Main Board of the Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036)) from April 2001 to June 2016. He was an executive director of China Merchants China Direct Investments Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 133)) from July 2008 to April 2017. He was an independent non-executive director of Lizhi Inc. (whose shares are listed on the NASDAQ Stock Market (stock code: LIZI)) from January 2020 to June 2021.

Mr. Li was awarded a bachelor's 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's 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's degree in Banking and Finance for Development from Finafrica Institute in Milan, Italy. In August 1989, he was qualified as a senior economist by the Appraisal and Approval Committee for Professional & Technical Qualification of the Agricultural Bank of China.

* *For identification only*

Mr. Chow Siu Lui – Independent Non-executive Director

Mr. Chow Siu Lui (鄒小磊先生), aged 61, 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 Futong Technology Development Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 465)), 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)), 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 (formerly known as China 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)). Mr. Chow 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, and Fullshare Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 607)) from December 2013 to December 2021.

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, Mr. Chow became a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in July 1991, The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators or ICSA) and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries or HKICS) both in October 2009, and The Hong Kong Institute of Certified Public Accountants in December 1993.

Mr. Han Demin – Independent Non-executive Director

Mr. Han Demin (韓德民先生), aged 70, 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, 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 an 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 was 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. Mr. Liao 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 2021 together with the audited financial statements of the Group for the year ended 31 December 2021.

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 59 and the section headed "Environmental, Social and Governance Report" in this annual report on pages 118 to 172, and such contents form part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 178 of this annual report.

The Board recommends the payment of a final dividend of HKD0.36 per Share in respect of the year ended 31 December 2021 to Shareholders whose names appear on the register of members of the Company on Wednesday, 15 June 2022. The proposed final dividend will be paid on Monday, 27 June 2022, subject to approval at the 2022 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 Wednesday, 1 June 2022 to Tuesday, 7 June 2022, 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 2022 AGM. In order to be eligible to attend and vote at the 2022 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 Tuesday, 31 May 2022; and

(ii) from Monday, 13 June 2022 to Wednesday, 15 June 2022, 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, 10 June 2022.

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 29 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 2021.

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 182 to 183 of this annual report and Note 30 to the financial statements, respectively.

As at 31 December 2021, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB5,824.1 million.

DIRECTORS

During the financial year ended 31 December 2021 and up to the date of this report, our Directors were as follows:

Executive Directors

Ms. Peng Jiahong
Mr. Wang Wenbing (appointed with effect from 13 September 2021)
Mr. Yu Gang

Non-executive Directors

Mr. Zhao Yan (appointed with effect from 27 August 2021)
Mr. Tong Chaoyin (appointed with effect from 14 May 2021)
Mr. Che Lingyun (appointed with effect from 1 March 2022)
Mr. Zhu Ziyang (appointed with effect from 7 July 2021)
Mr. Zhang Yichen (resigned with effect from 27 August 2021)
Ms. Liu Kun (resigned with effect from 9 September 2021)
Mr. Liu Zhiyong (resigned with effect from 9 September 2021)
Mr. Liu Xiaoping (resigned with effect from 6 March 2021)
Mr. Su Guang (resigned with effect from 6 March 2021)
Mr. Feng Songtao (appointed with effect from 13 September 2021 and resigned on 9 February 2022)

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 2021
1	CULC	Peng Jiahong Yu Gang Niu Shaofeng
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 Yu Jing 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. (西安萬恒醫療科技發展有限公司)	Peng Jiahong Wang Fang Wang Shuo Liu Yanru Li Ning
8	Shaanxi Huahong Pharmaceutical Co., Ltd. (陝西華虹醫藥有限公司)	Wang Fang
9	Wuhan China Construction Third Bureau Medical Health Investment Co., Ltd (武漢中建三局醫療健康投資有限公司)	Zhong Xiaowu Li Jinming Zhu Deju Zhang Ruihao Liu Yihong
10	Genertec Universal Medical Development (BVI) Co., Ltd.	Peng Jiahong

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2021
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	Sichuan Zhongqi Health Industry Co., Ltd (四川眾齊健康產業有限公司)	Yu Chao
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)	Wu Chunfu Zeng Xi Guo Xiaolian Zhang Tianyu Xu Guowang Zhu Xiaoyan 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.	Yu Chao Zhou Haisha Xu Hongliang Yang Dong Cao Yufei

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2021
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	Shaanxi CREC Elderly Care Management Co., Ltd (陝西中鐵養老管理有限公司)	Peng Jiahong Qiu Cheng
24	Chengdu Genertec Jindian Hospital Management Co., Ltd. (成都通用錦電醫院管理有限公司)	Li Zheng
25	Genertec Ansteel (Anshan) Health Industry Co., Ltd. (通用鞍鋼(鞍山)健康產業有限公司)	Geng Shugang
26	Liaoning Xingye Pharmaceutical Co., Ltd. (遼寧興業醫藥有限公司)	Wang Yunfeng

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2021
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
34	Beijing Tongrentang Anshan Traditional Chinese Medicine Hospital Co., Ltd. (北京同仁堂鞍山中醫醫院有限公司)	Wang Shengyu Zhang Dong Wang Xinyi

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2021
35	Genertec Universal Huayang Shanxi Health Industry Co., Ltd. (通用環球華陽山西健康產業有限公司)	Jia Zhiwen Zhang Zhigang Duan Baoshan Wang Huai Liu Ziyuan Wang Fang Zhang Xusheng
36	Yangquan Tianhetang Pharmacy Co., Ltd. (陽泉市天和堂藥店有限公司)	Feng Juan
37	Liangshanzhou Huankang Hospital Management Co., Ltd. (涼山州環康醫院管理有限公司)	Zhang Hongjun Yu Chao Zhou Haisha Xiao Jiankun Du Zhuozhuang
38	Liangshanzhou Panxin Health Management Co., Ltd. (涼山州攀新健康管理有限公司)	Xiao Jiankun
39	Beijing Huankang Hospital Management Co., Ltd. (北京環康醫院管理有限公司)	Guo Xiaolian Huang Zhonghong Wang Hailong
40	Beijing Guotong Huankang Hospital Management Co., Ltd. (北京國通環康醫院管理有限公司)	Guo Xiaolian

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Biographical details of the Directors are set out on pages 76 to 85 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2021, 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. Wang Wenbing entered into a service contract with the Company as an executive Director, pursuant to which he was appointed on 13 September 2021 and would hold office until the commencement of the next annual general meeting of the Company following his appointment, and then shall be eligible for re-election at that general meeting.

Mr. Yu Gang 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 on 5 June 2019 ("2019 AGM"), such service contract was extended and he shall hold office until the commencement of third annual general meeting of the Company following the extension.

The aggregate amount of the basic annual salaries of Ms. Peng Jiahong, Mr. Wang Wenbing and Mr. Yu Gang is RMB5.1 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. Mr. Zhang Yichen resigned as a non-executive Director with effect from 27 August 2021. Each of Ms. Liu Kun and Mr. Liu Zhiyong resigned as a non-executive Director with effect from 9 September 2021. Each of Mr. Tong Chaoyin, Mr. Zhu Ziyang, Mr. Zhao Yan, Mr. Feng Songtao (resigned with effect from 9 February 2022) and Mr. Che Lingyun entered into a letter of appointment with the Company on 14 May 2021, 7 July 2021, 27 August 2021, 13 September 2021 and 1 March 2022, respectively, pursuant to which each of them was appointed as a non-executive Director with effect from the signing date of their corresponding letter of appointment and would hold office until the commencement of the next annual general meeting of the Company following their appointments, and then shall be eligible for re-election at that general meeting.

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. On 13 April 2019, 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, and his appointment was further extended for a term commencing from the conclusion of the 2019 AGM to the commencement of the third annual general meeting of the Company following the extension. 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 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). During the year of 2021, each of the independent non-executive Directors was entitled to a director's fee of HKD200,000 and an allowance of HKD10,000 per annum. Effective from 1 January 2022, each of the independent non-executive Directors is entitled to a director's remuneration of HKD400,000 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 2021 are set out in Note 7 and Note 8 to the consolidated financial statements of the Company, respectively. The remuneration of one senior management personnel fell within the band from HKD4,000,001 to HKD5,000,000. One senior management personnel's remuneration fell within the band from HKD5,000,001 to HKD6,000,000. One senior management personnel's remuneration fell within the band from HKD16,000,001 to HKD17,000,000.

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 2021 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 107 to 113 of this annual report. Each of Ms. Liu Kun and Mr. Liu Zhiyong (both were previously non-executive Directors and resigned on 9 September 2021), Mr. Tong Chaoyin and Mr. Feng Songtao 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 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 former non-executive Director and resigned on 27 August 2021) entered into a subscription agreement in relation to, among others, the issue of the convertible bonds in an aggregate principal amount of USD150,000,000, and the completion of such bond subscription took place on 25 March 2021. Details of these transactions are set out in the announcements of the Company dated 29 December 2020 and 25 March 2021, and the circular of the Company dated 14 January 2021. Mr. Liu Xiaoping, a former non-executive Director and resigned on 6 March 2021, holds positions in CCP Leasing II Limited or its close associates. Mr. Zhang Yichen and Mr. Liu Xiaoping did not hold any management position within the Company and were 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 2021, Ms. Liu Kun, a non-executive Director (resigned with effect from 9 September 2021), and Mr. Zhu Ziyang, 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 Director	Name of Company	Interest in the Competing Business	Nature of the Competing Business
Liu Kun	GT-PRC Healthcare Company Limited	Director	Medical and healthcare business
Zhu Ziyang	Ping An Healthcare and Technology Company Limited	Non-executive director	Medical and healthcare business

As each of Ms. Liu Kun and Mr. Zhu Ziyang was not member of our executive management team, we do not believe that their respective interests in the above business as director would render us incapable of carrying on our businesses independently from GT-PRC Healthcare Company Limited and Ping An Healthcare and Technology 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 2021, other than the circumstances as disclosed in the Prospectus, and the announcements of the Company dated 12 May 2020, 25 November 2020 and 8 September 2021, 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 28 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 USD150,000,000, and the completion of such bond subscription took place on 25 March 2021. Details of these transactions are set out in the announcements of the Company dated 29 December 2020 and 25 March 2021, and the circular of the Company dated 14 January 2021.

On 5 February 2021, the Company entered into a subscription agreement with Million Surplus Developments, pursuant to which the Company has conditionally agreed to allot and issue, and Million Surplus Developments has conditionally agreed to subscribe for, 175,235,081 new Shares at a subscription price of HKD6.636 per Share, and the completion of such subscription took place on 8 March 2021. Details of the issue of new Shares were disclosed in the announcements of the Company dated 5 February 2021, 10 February 2021 and 8 March 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 2021 or subsisted at the end of the year ended 31 December 2021.

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 and chairwoman of the Board	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 2021 are as follows:

	Number of Options					
Name of Option Holders	Outstanding as at 1 January 2021	Exercised During the Report Period	Cancelled During the Report Period	Lapsed During the Report Period	Outstanding as at 31 December 2021	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	12,430,000[(2)]	–	–	991,000[(2)]	12,430,000	HKD5.97
Total	15,074,000	–	–	991,000	15,074,000	

Notes:

(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.

(2) The number of 13,421,000 options vested on 31 December 2020 and the number of 991,000 options lapsed on 1 January 2021, therefore, the number of outstanding options on 1 January 2021 was 12,430,000 options.

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 38 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 2021, 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	634,500,395	33.54%
GT-PRC *(Note 1)*	Interest of controlled corporation	697,978,700	36.90%
CITIC CPL *(Note 2)*	Interest of controlled corporation	177,210,365	9.37%
Zhang Yichen *(Note 2)*	Interest of controlled corporation	177,210,365	9.37%
CITIC Capital *(Note 2 and 3)*	Interest of controlled corporation	240,722,365	12.73%
Chu Mang Yee *(Note 4)*	Interest of controlled corporation	245,942,581	13.00%
Sounda Properties *(Note 4)*	Beneficial owner	12,811,000	0.68%
	Interest of controlled corporation	233,131,581	12.32%
Meta Group Limited *(Note 4)*	Interest of controlled corporation	175,235,081	9.26%
Sounda Hopson Technology Investment Limited *(Note 4)*	Interest of controlled corporation	175,235,081	9.26%
Sounda Hopson Technology Holdings Limited *(Note 4)*	Interest of controlled corporation	175,235,081	9.26%

Notes:

1. Among the 697,978,700 Shares, 634,500,395 Shares are registered under the name of GT-HK and 63,478,305 Shares are registered under the name of China General Consulting & Investment (Hong Kong) Co., Limited ("CGCI-HK"). The entire issued share capital of GT-HK is ultimately owned by GT-PRC and the entire issued share capital of CGCI-HK is directly held by China General Consulting & Investment Co., Limited, which in turn, is wholly owned by GT-PRC. By virtue of the SFO, GT-PRC is deemed to be interested in a total of 697,978,700 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, each of CITIC CPL, CITIC Capital and Mr. Zhang Yichen is deemed to be interested in the 177,210,365 Shares directly held by CCP Leasing II Limited. Mr. Zhang Yichen was a former Director and resigned on 27 August 2021.

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.

4. Among the 245,942,581 Shares, (i) 12,811,000 Shares are directly held by Sounda Properties Limited ("Sounda Properties"); (ii) 175,235,081 Shares are directly held by Million Surplus Developments, and (iii) 57,896,500 Shares are directly held by Hopson E-Commerce Limited ("Hopson E-Commerce").

   Sounda Properties is wholly owned by Mr. Chu Mang Yee. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 12,811,000 Shares held by Sounda Properties.

   Million Surplus Developments is wholly owned by Meta Group Limited, which in turn, is indirectly owned as to 80% by Sounda Hopson Investment Holdings Limited ("Sounda Hopson Investment") through Sounda Hopson Technology Holdings Limited and Sounda Hopson Technology Investment Limited. Sounda Properties holds 100% of the equity interest in Sounda Hopson Investment. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 175,235,081 Shares held by Million Surplus Developments.

   Hopson E-Commerce, through Hopson Development International Limited, is indirectly wholly owned by Hopson Development Holdings Limited, which in turn, is owned as to 53.26% by Sounda Properties. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 57,896,500 Shares held by Hopson E-Commerce.

   Therefore, Mr. Chu Mang Yee is deemed to be interested in a total of 245,942,581 Shares.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any person who 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.

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 2021, 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	0.40%

(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[2]	Beneficial owner	Executive Director	1,322,000	0.07%
Yu Gang[3]	Beneficial owner	Executive Director	1,322,000	0.07%

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

(3) 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 2021, 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 supplies 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 2021
Five largest customers	3%
The largest customer	1%

	Percentage of the total cost of sales for the year ended 31 December 2021
Five largest suppliers	20%
The largest supplier	6%

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 2021, the Group had a total of 15,242 employees, while it had a total of 13,686 employees as at 31 December 2020.

For the year ended 31 December 2021, 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 2021.

GT-PRC holds approximately 36.90% 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.

Property Lease Framework Agreement

To renew the property lease framework agreement dated 1 December 2017 between the Company and GT-PRC, 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. For the year ended 31 December 2021, the actual transaction amount did not exceed the annual cap under the Property Lease Framework Agreement.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the Property Lease Framework Agreement.

Product Procurement Framework Agreement

To renew the product procurement framework agreement dated 1 December 2017 between the Company and GT-PRC, 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. For the year ended 31 December 2021, the actual transaction amount did not exceed the annual cap under the Product Procurement Framework Agreement.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the Product Procurement Framework Agreement.

Deposit Service Framework Agreement

To renew certain transactions under the deposit and intermediary business service framework agreement dated 1 December 2017 between the Company and GT-PRC Finance, 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 original maximum daily deposit balance (including accrued interest) of the Group to be placed with GT-PRC Finance is not expected to exceed RMB400 million. Pursuant to the announcement of the Company dated 11 November 2021, the circular of the Company dated 3 December 2021 and the poll results announcement of the Company dated 24 December 2021, for the period commencing from 24 December 2021 to 31 December 2021 and for the two years ending 31 December 2022 and 2023, the annual caps have been revised to RMB2,000 million ("Revised Annual Caps"). The Revised Annual Caps are based on the following factors: (i) the historical amount of the Group's maximum daily deposits balance with GT-PRC Finance for the three years ended 31 December 2018, 2019 and 2020; (ii) the increasing trend of the historical revenue of the Group; (iii) the expected cash flows from the Group's financing activities; (iv) the expected net increase in cash inflow to the Group in the following years; (v) the favorable interest rates and the convenience for fund management provided by GT-PRC Finance; (vi) certain volatility of the Group's daily deposits; and (vii) the strategies for treasury management of the Group. For the year ended 31 December 2021, the actual transaction amount under the Deposit Service Framework Agreement did not exceed the annual cap thereunder.

Please refer to (i) the announcements of the Company dated 10 November 2020, 31 December 2020, 11 November 2020 and 24 December 2021, and (ii) the circulars of the Company dated 26 November 2020 and 3 December 2021 for further details of the Deposit Service Framework Agreement and the annual caps thereunder.

Hospital Management Framework Agreement

On 10 November 2020, the Company entered into a hospital management framework agreement (the "Hospital Management Framework Agreement") with GT-PRC, pursuant to which the Company and/or its subsidiaries will provide hospital management services to GT-PRC and/or its associates. The 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. For the year ended 31 December 2021, the actual transaction amount under the Hospital Management Framework Agreement did not exceed the annual cap thereunder.

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

Medical Equipment Integrated Service Framework Agreement

On 10 November 2020, the Company entered into a medical equipment integrated service framework agreement (the "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 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. For the year ended 31 December 2021, the actual transaction amount under the Medical Equipment Integrated Service Framework Agreement did not exceed the annual cap thereunder.

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

Medical Testing Framework Agreement

On 10 November 2020, the Company entered into a medical testing framework agreement (the "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 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 esting and technology services, which will broaden the service scope that the Group is able to provide to GT-PRC and its associates. For the year ended 31 December 2021, the actual transaction amount under the Medical Testing Framework Agreement did not exceed the annual cap thereunder.

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

Construction Service Framework Agreement

On 10 November 2020, the Company entered into a construction service framework agreement (the "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 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 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. For the year ended 31 December 2021, the actual transaction amount under the Construction Service Framework Agreement did not exceed the annual cap thereunder.

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2021, 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 of PANGANG XICHANG HOSPITAL

On 25 January 2021, Hospital Investment Co., Ltd. and Xichang New Steel entered into the Cooperation Agreement in connection with the formation of a Joint Venture. Pursuant to the Cooperation Agreement, the total investment of the Joint Venture is approximately RMB345.9 million, of which Hospital Investment Co., Ltd. would contribute approximately RMB176.4 million with cash, and Xichang New Steel would contribute approximately RMB169.5 million with 100% equity of the Liangshan Panxin Health Management Company Limited, which is the promoter of Pangang Xichang Hospital. Upon completion of the transaction, the registered capital of the Joint Venture will be held by Hospital Investment Co., Ltd. and Xichang New Steel as to 51% and 49%, respectively.

As at the date of the Cooperation Agreement, (i) Panzhihua Iron and Steel (Group) Company Limited (攀鋼集團有限公司) ("Pangang Group") directly and indirectly holds approximately 46.7% equity interest in Sichuan Huankang Hospital Management Co., Ltd. (a subsidiary of the Company), and (ii) Xichang New Steel is a wholly-owned subsidiary of Pangang Group, thus Xichang New Steel is a connected person of the Company at the subsidiary level under Rule 14A.07 of the Listing Rules. Therefore, the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 25 January 2021 for further details.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, certain related parties entered into transactions with the Group which are disclosed in Note 37 "Related Party Transactions" to the consolidated financial statements of the Company. Save as disclosed in the sections headed "Continuing Connected Transactions" and "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 2021.

USE OF PROCEEDS

For details of the use of proceeds from the Global Offering, the issue of new shares on 8 March 2021 and the issue of convertible bonds on 25 March 2021, please refer to paragraphs headed "Capital Expenditure" in the section headed "Management Discussion and Analysis" on pages 47 to 50 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. Chow Siu Lui and Mr. Tong Chaoyin, 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 2021.

The consolidated financial statements of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2021 have been audited by Ernst & Young, the overseas auditors of the Company.

DONATIONS

During the year ended 31 December 2021, the Group made charitable donations in the amount of RMB3.8 million.

AUDITORS

The Company re-appointed Ernst & Young and ShineWing Certified Public Accountants (Special General Partnership) ("ShineWing") as its overseas auditors and domestic auditors, respectively, in 2021. The Company has not changed the appointment of its overseas auditors in the past three years. The proposals of re-appointing Ernst & Young as the Company's overseas auditors and re-appointing ShineWing as the Company's domestic auditors will be put forward at the Company's 2022 AGM for consideration and approval of the Shareholders.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2021, 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
Chairwoman of the Board

Hong Kong
29 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

This report is the sixth 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") following its listing on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The purpose of the Report is to report the concept of environmental, social and governance responsibility and the relevant practices of the Company and its subsidiaries (hereinafter referred to as the "Group") in 2021, as well as to positively respond to the material issues concerned by our key stakeholders. Meanwhile, the Report provides a comprehensive picture of the Group's ESG performance by detailing the Group's governance of environmental and social issues and how ESG concepts are integrated into its business.

For more information on corporate governance of the Group, please refer to the "Corporate Governance Report" section in this annual report.

The disclosure information in the Report comes from the Group's internal documents and relevant statistical data and is available in two languages, including Traditional Chinese and English versions. Should there be any inconsistency in the Report, the Traditional Chinese version shall prevail. The electronic version of the Report can be read and downloaded through the official website of the Group and the website of the Stock Exchange.

1.1 Reporting Scope

The Report covers hospital group business and finance business of the Group as follows:

Business segment	Place of operation
Hospital Group	Genertec Universal CREC Xi'an Hospital
	Genertec Universal Xi'an Aero-Engine Hospital
	Xi'an XD Group Hospital
	Xianyang Caihong Hospital
	Ansteel Group General Hospital
	Yangquan Coal Industry (Group) General Hospital
	Yantai Harbour Hospital Co., Ltd.
Finance Business	Hademen Plaza, Dongcheng District, Beijing[1]

1 The Company's headquarters (together with the finance business segment) have moved into Hademen Plaza, Dongcheng District, Beijing since 11 August 2020. The offices at Zhongyi Building, West Wing of Sichuan Building and Haijing Building as stated in the report for the previous year have been suspended.

Unless otherwise stated, the time scope of the information disclosed in the Report is from 1 January 2021 to 31 December 2021 (hereinafter referred to as the "Reporting Period").

1.2 Statement of the Board

The Board of Directors of the Company (the "Board") has overall responsibility for the Group's ESG strategy and reporting, and has reviewed and approved the Report. The data and other information publicly disclosed in the Report are mainly derived from internal documents, reports and statistical results. The Board undertakes that the Report does not contain any false information, misleading statement or material omission, and accepts ultimate responsibility for the contents of the Report as to its authenticity, accuracy and completeness.

The Board is responsible for assessing and determining the ESG risks in the Group's operations and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Group's ESG policy, strategy and related materiality will be disclosed in various sections of the Report.

1.3 Basis of Compilation

The Report is compiled in accordance with the reporting 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 "Stock Exchange").

Materiality	The Group identifies material issues related to the Group through materiality assessment. Materiality assessment includes inviting stakeholders to prioritize the importance of the ESG related issues and inviting the management to verify the material issues, etc. Please refer to the "Materiality Assessment"section in the Report for details of the materiality assessment work.
Quantitative	In order to comprehensively evaluate the ESG performance of the Group during the Reporting Period, the Group disclosed the applicable quantitative key performance indicators in the ESG Guide, and stated the standards, methods, assumptions and calculation reference and basis used to quantify the key performance indicators, including the sources of major conversion factors.
Consistency	The Report adopts the same compilation method as that of the previous reporting period, so that readers can make meaningful comparison of the ESG information during the Reporting Period.
Balance	The Report provides an unbiased picture of the Group's ESG performance. The application of the relevant principles is reflected in various sections of the Report.

The Report complies with the mandatory disclosure requirements and 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.

1.4 Contact us

We welcome readers' comments and suggestions on Environmental, Social and Governance and other sustainable development matters. Please contact us by the following methods:

Address:	West Wing of Hademen Plaza, 8-1 Chongwenmenwai Street, Dongcheng District, Beijing, China
Website:	https://www.umcare.cn/
Email:	ir@um.gt.cn

2. ABOUT US

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 high-quality 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 become a pioneer in the development of the medical and health industry.

2.1 Enterprise Culture

Mission

- To lead a better life with technological advancements and quality service

Business ideology

- To safeguard health and wellness through quality healthcare

Development concept

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

2.2 Honor Awards

In February 2022, the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council issued the List of Model State-owned Enterprises for Corporate Governance (《國有企業公司治理示範企業名單》), and the Group was successfully selected as a grass-roots enterprise.

The "Activity of Building Model State-owned Enterprises for Corporate Governance (國有企業公司治理示範企業創建活動)" is an important measure taken by the SASAC of the State Council to accelerate the building of a modern enterprise system with Chinese characteristics, step up the improvement of corporate governance capabilities and standards, and promote the transformation of the advantages of modern enterprise systems with Chinese characteristics into governance efficiency.

As a listed company controlled by the central enterprise and focusing on healthcare industry, the Group has established and continuously improved its corporate governance system, operated in compliance with the listing rules, and practised standardized management. Meanwhile, the Company has continued to deepen the reform of the three systems, and stimulate the vitality of the Company to operate and develop so as to lay a solid foundation for Company to promote strategic upgrading and the integration of industry and finance. In the future, in accordance with the requirements of the SASAC of the State Council and under the guidance of GT-PRC, we will continue to give full play to the advantages of medical and health enterprises in the mixed reform, adopt new development concepts based on the new development stage, build a new development pattern, and create a new situation of high-quality development to continuously contribute to the Healthy China strategy.

The Bureau of Medical Administration of National Health Commission (國家衛生健康委醫政醫管局), and the Health News (健康報社) jointly launched the 2020 publicity and promotion activities for improving medical services, with an aim to promote the high-quality development of medical services through publicity and display of good approaches and industry practices of medical enterprises and units in various regions for the improvement of their services as a way to improve people's sense of health and satisfaction in seeing a doctor.

On 10 January 2021, the Pangang Group Hospital, XD Group Hospital, and Yantai Harbour Hospital of the Group were awarded the title of "2020 Model Hospital for Improving Medical Services (2020年度改善醫療服務示範醫院)" at the meeting on the exchange and summary of typical experience in improving medical services jointly organized by the Bureau of Medical Administration of National Health Commission and Health News.

The Group has independently researched and developed an Internet-based health platform with an aim to achieve deep integration with physical hospitals. On 21-22 May 2021, the "One Hundred Years of Glory A New Journey of Healthcare" – 2021 Healthcare Summit and the 100th anniversary academic activities of Peking Union Medical College Hospital was held in Beijing. The Group was awarded the "Intelligent Medical Model Innovation Award (智慧醫療模式創新獎)" in the list of "Healthy China Action Model V Innovation Model (健康中國行動示範V創新榜樣)", indicating that the Group's achievements in the field of intelligent medical care have been widely recognized by the industry.

During the pandemic, the Pangang Group Hospital of the Group dispatched 9 medical staff to Wuhan to actively support the local designated municipal hospitals; dispatched 44 medical staff to various important traffic points in the city to participate in the pandemic prevention work and successfully completed the task. With the pioneering spirit of serving the people, we were selected by the Party Committee of the SASAC as the "Advanced Grassroots Party Organization (先進基層黨組織)" of central enterprises on 28 June 2021.

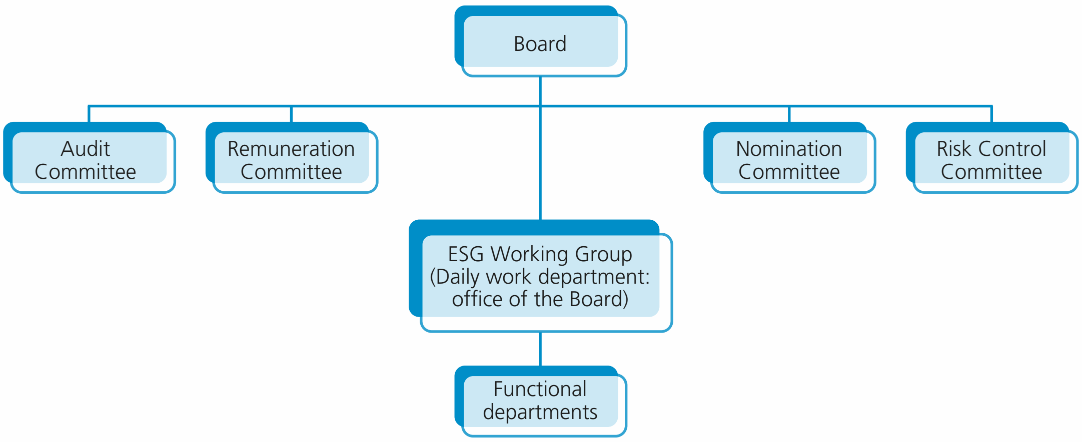
As of 7 January 2022, 7 medical institutions of the Group, including XD Group Hospital, CREC Xi'an Hospital, Xi'an Aero Hospital, and Beihuan Hospital (北環醫院), completed the detection of more than 2.25 million nucleic acid samples around the clock. The Group will continue to regard serving the national strategy as an important corporate task, and play well the role of "Second National Team" of hospitals run by state-owned enterprises, make its due contribution to the "Healthy China" strategy and serve the people's better life.

3. SUSTAINABILITY MANAGEMENT

3.1 ESG Governance Framework

In order to strengthen the work of the Group and its affiliated institutions on sustainable development and management, the Group established an ESG governance structure supervised by the Board in December 2021 to systematically manage sustainable development issues, ensure that ESG considerations are incorporated into the decision-making at all operation links and business levels, practise the corporate philosophy of "striving for continuous progress in human health", and comprehensively promote the sustainable development of the Group.

The Group has established an ESG working group which is composed of representatives of functional departments involved in ESG matters in the Group. The daily work department is the office of the Board. The ESG personnel in charge of the Group serves as the leader of the group, reports to the Board on ESG matters, and feeds back relevant opinions to the Board, management or relevant departments when necessary.



As the highest decision-making body of the Group's ESG governance, the **Board** is responsible for overseeing the overall ESG strategies, reviewing and making decisions on risks and opportunities related to the Group's business, ensuring that appropriate and effective ESG management and internal control systems are in place, formulating ESG management policies, strategies, priority and targets, regularly reviewing the performance of ESG targets, and approving the Group's ESG report on an annual basis.

The **ESG working group** is authorized by the Board to participate in the ESG-related work of the Group. The responsibilities of the group include planning as a whole and coordinating headquarters of the Group and various functional departments of its subsidiaries to implement and execute all ESG-related work, reporting to the Board regularly on major ESG issues and work status, communicating the strategies and specific measures of the Group in ESG management, collecting and reporting the management measures and performance of ESG-related matters, collecting information required for ESG reports from the Group's functional departments, and submitting the report to the Board for approval, etc. Based on the actual situation of ESG-related work, the ESG working group will formulate improvement suggestions to the board members, so that the Board can continuously and effectively supervise ESG issues.

Each functional department and its ESG personnel in charge are responsible for the management and data collection of each special ESG topic, and carry out related work in accordance with the ESG management system and process.

3.2 ESG Targets

The Group has been advocating and practicing responsible operation philosophy for many years. We are committed to operating our business in a comprehensive and responsible manner, while taking into account environmental, social and economic benefits. We have formulated the "Overall Goal of Green Enterprise Construction (綠色企業建設總體目標)", which guides us to advance ESG work and ensure that the elements of sustainable development are integrated into all aspects of operations and all business decisions.

By authorizing the working group, the Directors of the Group conduct annual progress review of the ESG targets. We have currently formulated the following strategies in the context of environment:

Emission Reduction Strategy	
Strengthen the management of official vehicles (Medium-term target)	Through the implementation of practices and plans of internal vehicle management, regularly count the energy consumption of vehicles, and scientifically approve energy saving.
Reduce hospital exhaust emissions (Medium-term target)	Optimize hospital boilers and piping equipment, and upgrade and transform boilers to further reduce pollutant emissions on the basis of gas-fired boilers.
Use clean energy (Long-term target)	Phase out high-polluting coal to generate heat and power. Through active promotion of the use of clean energy, give priority to the use of green electricity generated by solar and wind energy, and gradually increase the utilization rate of green electricity.

Carbon Reduction Strategy	
Reduce hospital carbon footprints (Medium-term target)	Instruct functional departments to review the transportation arrangements for hospital personnel and logistics, and also advocate green travel for employees.
Manage carbon emissions (Long-term target)	With reference to ISO 14064, GB/T 51366 and other normative guidelines, formulate carbon emission management systems and internal management policies, and actively respond to the concept of carbon reduction.
Manage fugitive emissions sources (Long-term target)	For fugitive emissions from air conditioning, refrigeration systems and fire extinguishers, establish a record system for refrigerants and fire extinguishers, and records from purchase, storage and disposal will be properly maintained.

Energy Saving Strategy	
Promote green office (Medium-term target)	Reduce overall paper usage, implement informal double-sided printing, and expand the use of online systems for filing/approval.
Reduce business energy consumption (Long-term target)	Change the energy use habits of the enterprise, and adopt lower and suitable lighting for the hospital environment in terms of hardware configuration; conduct energy statistical analysis on a regular basis; identify and gradually replace high-energy-consuming equipment; purchase high-efficiency and energy-saving medical equipment with permission, and conduct researches on energy-saving.
Promote renewable energy (Long-term target)	Actively explore the feasibility of using renewable energy. Gradually carry out the application of renewable energy projects in hospital units, such as installing photovoltaic panels in hospital buildings or adding renewable energy facilities in expansion and rebuilding projects.

Water Saving Strategy	
Increase investment in water-saving equipment (Long-term target)	Carry out water-saving engineering measures, conduct water-saving renovation for hospital units, and actively use water-saving equipment.
Reduce overall water use (Medium-term target)	Implement water-saving administrative measures, encourage employees to save water, conduct statistical analysis of water consumption on a regular basis, and reduce the overall water consumption of the Group.
Expanded use of secondary water (Long-term target)	Promote the use of secondary/recycled water in hospital units, including reuse of grey water for cleaning and irrigation purposes.

Waste Reduction Strategy	
Promote waste recycling (Medium-term target)	Implement garbage classification in office areas and inpatient departments, add garbage classification facilities, strengthen management of signs and labels; strengthen cooperation with waste collectors/recyclers.
Practice source waste reduction (Medium-term target)	Identify single-use, disposable items used in our business, actively reduce the use of single-use items, reduce their purchase and use, and remove unnecessary packaging materials.
Introduce recyclable packaging materials (Long-term target)	Conduct an in-depth discussion on the packaging mode suitable for recycling, and explore the feasibility of using different materials in the group headquarters and hospital units.

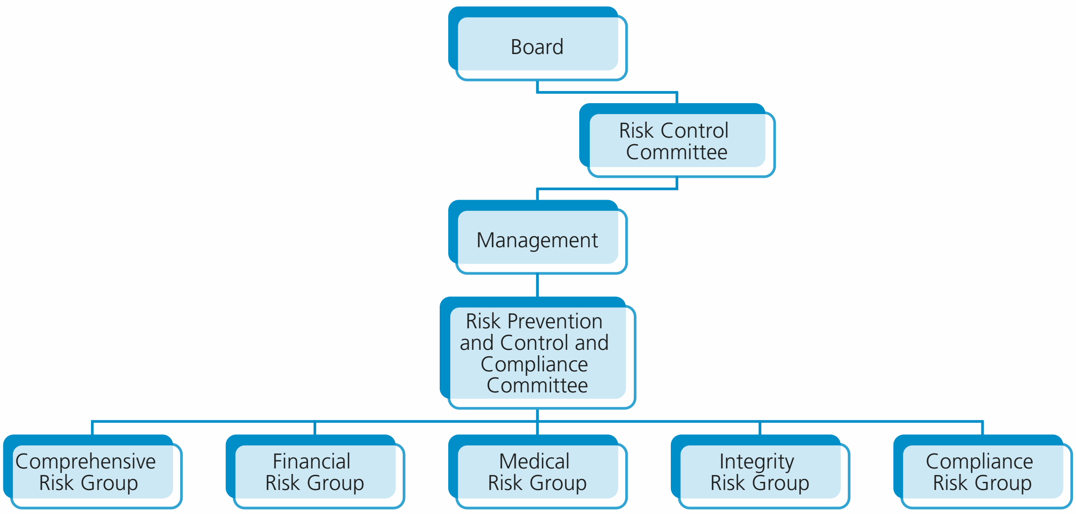
3.3 ESG Risk Management

A robust and effective risk management system is a necessary and indispensable part of corporate governance. Universal Medical has a sound risk management system and has further expanded it to the aspect of sustainable development and management. By identifying, assessing and managing major ESG risks that may be faced in the course of operations, we strengthen the Group's risk management and control culture to lay a solid foundation for our sustainable development.

The Board has overall responsibility for assessing and determining the Group's material ESG risks and ensuring that appropriate and effective risk management and internal control systems are in place and maintained by the Group.

The Board has established a Risk Control Committee, and has formulated, implemented and monitored risk management and internal control systems with the assistance of the Risk Control Committee. We integrate ESG risks into the current risk management system, and identify and manage ESG risks related to the Group's business according to the risk management process. The Risk Control Committee regularly reviews the risk-related matters of the Group, including ESG risks, and provides advice to the Board.

Our internal control system fully observes the requirements of the COSO risk management framework and the guidelines of the Hong Kong Institute of Certified Public Accountants on risk management, draws on the internal control model of peer companies, and takes into account the actual situation and business characteristics of the Group to formulate an effective monitoring system. The governance structure is as follows:



1. The Risk Control Committee and its subordinate working groups are responsible for taking the lead in risk identification, and cooperating with relevant departments at the management level to follow up
2. Carry out risk analysis and select areas with higher risk
3. The department in the corresponding field describes the risk
4. Summarize risks in various fields and prepare risk reports
5. Submit the risk report to the Risk Control Committee of the Board for consideration, and submit it to the Board meeting upon consideration

According to the identified risks, the Group believes that the major risks in 2021 and the countermeasures are as follows:

Material ESG risks	Potential impact	Countermeasures
COVID-19 pandemic prevention and control risks	The closed-loop measures have led to a cessation of economic activities, which on the one hand directly affects business operations in the region, and on the other hand affects front-line operations, staffing, and supply chains.	• Establish quality inspection standards for hospitals in pandemic prevention and control, and regularly improve pandemic prevention and control measures. • Through multi-departmental collaboration, continue to improve the procedures of hospitals' special departments, and continue to optimize the management of infection prevention and control in hospitals. • Strengthen training related to pandemic prevention and control, and improve awareness, management and emergency response capabilities of pandemic prevention and control.
Medical quality and safety management risks	Security problems in medical services may endanger the health of customers and even lead to related claims, and adversely affect the reputation and revenue of the Group.	• Establish and improve the hospital quality and safety management committee, and set up a full-time expert team for hospital quality control and internal review to control medical quality and safety. • Establish monthly, quarterly and annual quality control data and monitoring system for medical risk events. • Conduct training and assessment for all aspects of hospital quality and risk management. • Conduct quarterly inter-hospital mutual inspection and annual unannounced supervision and inspection, and supervise and regulate the quality and safety of hospitals and practice according to law. • Standardize the management of medical adverse events, formulate emergency plans for adverse events, and improve risk identification and emergency handling of adverse events.

3.4 Stakeholder Communication

Effective stakeholder communication is an important part of ESG management. Our main stakeholders include government and regulatory agencies, investors, employees, customers, suppliers and communities. We communicate with various stakeholders through diverse methods and channels to understand their needs and expectations, and respond accordingly.

Key Stakeholders	Primary Focus	Main Means of Communication	Our Response
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
Shareholders and 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

Key Stakeholders	Primary Focus	Main Means of Communication	Our Response
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
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
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

Key Stakeholders	Primary Focus	Main Means of Communication	Our Response
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

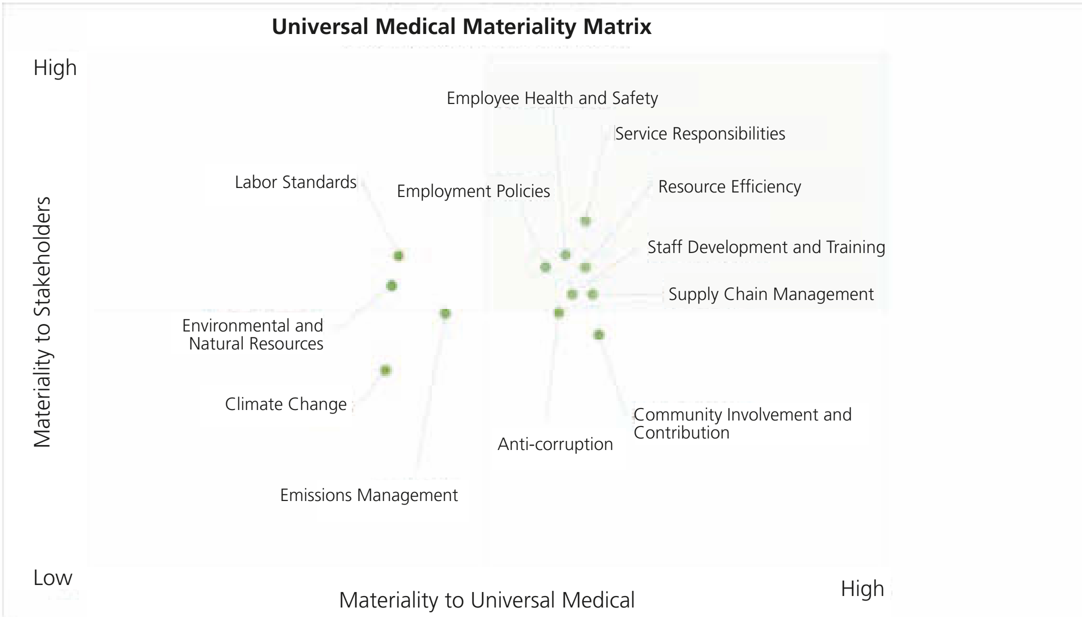
We have been thinking highly of the investor relations management. On the one hand, we clearly understand the needs of investors, grasp the market trends and hot topics and timely convey to the Group's management to give investors quick feedback; on the other hand, we also enhance the exposure and recognition of the Group in the capital market through frequent and effective communication.

During the year, we held 3 general meetings of shareholders, 2 public results presentations and 4 online high-level special communication conference calls, together with other domestic and overseas simultaneous results roadshows, on-site research, management reception days, online interaction and participation in investment forums, and a variety of effective methods to focus on daily communication with investors and maintain a good communication relationship with investors.

3.5 Assessment of Material Issues

Materiality surveys are a powerful tool for assessing the importance of ESG issues. Through materiality surveys in 2021, the Group invited important stakeholders such as Directors, management, shareholders and investors, employees, customers, and partners of the Company to assess a total of 12 issues at the environmental and social level. After evaluation, we identified 6 material issues, and the Board finally reviewed and confirmed the results of materiality evaluation.

We show the importance of each ESG issue by creating a matrix to highlight the priority of different issues:



Order of Materiality (Highest to lowest)	2021 Material Issues
1	Service responsibilities
2	Resource efficiency
3	Employee health and safety
4	Supply chain management
5	Employment policies
6	Staff development and training

We will use it as an important internal reference to continuously improve our sustainable development, management and performance, and effectively respond to the issues on sustainable development that all stakeholders focus on.

4. RESPONSIBLE OPERATION

The Group has been committed to enhancing our compliance construction, operating business under the premise of complying with laws and regulations, and continuously improving its corporate management system. We are committed to safeguarding the rights and interests of customers and improving customer satisfaction. Meanwhile, we continuously strengthen the management of environmental and social risks of the supply chain, and promote the construction of honest corporate culture, so as to comprehensively promote the sustainable development process of the Group.

4.1 Quality Guarantee

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, other medical institutions, educational 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.

In order to improve quality management, we formulated the *Administrative Measures for Medical Devices Operation, Use Units and Medical Devices Qualification Review* (《醫療器械經營、使用單位及醫療器械資質審核管理辦法》) this year to standardize the internal management principles, processes and product recall procedures for the implementation of quality assurance. We also 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. 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 occurred any medical accidents caused by the use of medical devices.

4.2 Compliance Operation

The Group adheres to compliance operations. During the Reporting Period, we have strictly complied with the *Trademark Law of the People's Republic of China,* the *Measures for the Administration of Medical Advertisements*, the *Regulations on the Implementation of the Trademark 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.

We complied with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and the *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 and protect the information security of the Group and its customers.

4.3 Intellectual Property Management

Regarding intellectual property management work, the Group had strictly complied the Copyright Law of the People's Republic of China, the Patent Law of the People's Republic of China and other laws and regulations and relevant implementing regulations. At the same time, during the Reporting Period, we actively promoted the work related to software legalization. We formulated our own intellectual property protection measures in accordance with the above-mentioned laws and regulations with the contents covered improving the anti-risk capability of the enterprise, fostering a good corporate image, and preventing compliance and information security risks caused by using unauthorized software. In this respect, our main work includes: strengthening the guarantee of software legalization through centralized procurement, enhancing the daily management of software assets, establishing an electronic ledger of software assets, to realize the dynamic management of authorized software procurement, configuration, upgrade and use, etc.; creating a good atmosphere for promoting the legitimate software through publicity, continuously enhancing employees' awareness of using authorized software, making them use consciously legitimate software and reject unauthorized software, and improving the working standard of using authorized software.

4.4 Responsible Procurement

The Group is committed to implementing green procurement, building a responsible and high-quality supply chain, maintaining stable and sound strategic partnerships with suppliers, complementing its advantages, and promoting the common development of supply chain partners and the Group. The Group's suppliers are mainly suppliers that provide medicines, medical consumables and medical devices for the Group and financial institutions that provide loan and other forms of financing. We will choose, in accordance with local laws and regulations, qualified, legitimate, well-performing suppliers which are committed to fulfilling social and environmental responsibilities.

We have formulated the *Measures for Medicine Supply Chain Management (Trial), Measures for Medical Equipment Purchasing Management (Trial)*, and the *Regulations and Implementation Rules for Medical Equipment Procurement* (《醫用設備採購規定及實施細則》) and other guidance documents in accordance with the *Law on the Administration of Pharmaceuticals of the People's Republic of China*, the *Implementation Provisions on the Administration of Pharmaceuticals of the People's Republic of China*, the *Administrative Provisions on Administration and Supervision of Medical Devices* and other regulations to regulate the internal purchasing management of drugs and medical equipment of our medical institutions.

In addition, we also formulated the *Measures for Centralized Purchasing Management* and the *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. Regarding the procurement of medicine supply chain, we ensure that environmental and social risks and other factors are fully considered to guarantee the brand image, medical quality, medicine quality and normal diagnosis and treatment services of the Group's medical institutions.

We attached great importance to the management of environmental and social risks at all stages of the supply chain, thus select the best suppliers in environmental and social aspects as our partners. The Group's headquarters has set up a team for centralized procurement, which is composed of persons in charge of related departments such as office of general manager, financial management department. The centralized procurement team conducts comprehensive evaluation by scoring or voting based on the suppliers' business reputation, corresponding financial strength, professional skills and experience and capabilities, no record of major violations of social and environmental laws in the past three years, and whether to provide environmentally friendly products or not. In terms of environment, suppliers with a more complete environmental management system shall be given priority in the assessment. In terms of society, we have established supply chain assessment and evaluation systems, methods and evaluation indicators to evaluate suppliers' social performance. The evaluation indicators include the suppliers' corporate nature, scale, operation status, supply capacity, quality standards, after-sale service and other performance.

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 applicable to 270 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 by the region where the headquarters is located is as follows:

Geographical Location	Number	Geographical Location	Number
Beijing	142	Sichuan	2
Tianjin	9	Guizhou	1
Shanghai	32	Shaanxi	3
Chongqing	2	Gansu	1
Jiangsu	1	Taiwan	2
Zhejiang	5	Inner Mongolia Autonomous Region	1
Anhui	1	Xinjiang Uygur Autonomous Region	6
Fujian	3	HKSAR	25
Shandong	3	Macao SAR	2
Henan	4	America	6
Hubei	3	United Kingdom	1
Guangdong	12	Austria	1
Hainan	1	Italy	1

4.5 Anti-corruption

During the Reporting Period, we have strictly 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 legal provisions on corruption, bribery, extortion, fraud and money laundering. There were no violations of the above relevant provisions in the Group and its subsidiaries.

In order to strengthen the integrity of the Group and prevent fraud or bribery, we formulated the *Coordination Working Mechanism on Improving Party Conduct, Building Clean Government and Combating Corruption*, as well as the *Measures for Integrity Risk Prevention*. 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》). Among them, 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 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 we received to protect the informers' right to report.

In July 2021, We emailed Anti-Corruption Programme – A Guide for Listed Companies issued by ICAC for the Board members to study. The guide covers the main provisions of the Prevention of Bribery Ordinance, the corruption risk assessment and monitoring and the promotion of corruption prevention practices, actively promoting an anti-corruption culture to the Board members.

The Group held "Monthly Integrity" activities. We invited internal employees to participate in anti-corruption training according to different themes every month, and let employees learn lessons in the form of warning cases and management presentations so as to keep alarmed, hold on the bottom line, build a strong defense line, and practice the corporate mission of "protecting life and health with quality medical care" with practical actions. In addition, we launched the video collection named "Fancy Integrity" to disseminate information on integrity and anti-corruption to our employees in a vivid way.

5. ENVIRONMENTAL BENEFITS

While promoting its business development, the Group has not forgotten to actively fulfil its social responsibility of protecting the environment. Through continuously improving its environmental management system and implementing various energy-saving and environmental protection measures at the Group level, we strive to achieve a harmonious integration between the enterprise and the environment.

5.1 Environmental Protection Management

We have always adhered to green operations, committed to reducing the negative impact on the natural environment and the resources consumption, and prepared for response work in the context of global climate change. 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 regional environmental protection requirements.

In order to strengthen the Group's environmental protection management, we have formulated and revised the *Measures for Supervision and Management of Environmental Protection of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司環境保護監督管理辦法》), *Hazardous Waste Management Plan, Annual Target Responsibility Letter of Safety and Environmental Protection* (《年度安全環保目標責任書》) in accordance with the relevant national laws and regulations on environmental protection to regulate exhaust emissions, greenhouse gas emissions, resources usage, potential risk identification and rectification, expenses invested in environmental protection and environmental protection inspections.

5.2 Response to Climate Change

As a responsible corporate citizen, the Group fully recognizes various risks and opportunities brought about by climate change on our business and the society as a whole. To cope with barriers posed by climate change actively, the Group will regularly review and evaluate major climate change-related matters, and gradually integrate climate risk into the Group's internal risk management mechanism in light of changes in the external environment.

The main business of the Group is hospital operation. Although the potential impact of climate change on the Group is slight, the extreme weather brought about by climate change will still cause various natural disasters and bring instability to the hospital's logistics and personnel transportation. To eliminate or minimize the adverse effects of extreme weather, the Group formulated the *Emergency Management Measures of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司突發事件應急管理辦法》) and the *EHS Overall Emergency Plan of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司EHS事故總體應急預案》). Meanwhile, the formulation and implementation of the response to climate change strategy, regulatory requirements, regulatory policies and industry standards by the state would pose transition risks to the Group in the long run. Therefore, the Group will continue to monitor the potential impact of these risks on us and make preparations in time to deal with the risks.

5.3 Use of Resources

5.3.1 Energy conservation and emission reduction

The main resources used by the Group during daily operations are electricity consumption in office spaces and hospitals, domestic water use and distribution and vehicle fuel consumption. 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.

5.3.2 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;

- Regularly check whether exist water evaporating, emitting, dripping, leaking and flowing for a long time of water equipment, and the employees shall contact in time the relevant personnel for repair;

- Control water usage during daily washing, not washing vehicles with high-pressure clean water.

5.3.3 Waste and wastewater management

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 emission throughout the year. 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.

During the operation of the Group's hospital business, especially the waste and waste water generated by the hospital, if not handled properly, it may cause damage or pollution to the environment and natural resources. Therefore, the Group formulated relevant internal regulations to regulate the emission and disposal of hazardous waste and wastewater, so as to prevent from having an impact on water bodies, air and soil. Handlers shall explain the types, generation, reduction plans and measures, transfer and management of hazardous waste according to the *Hazardous Waste Management Plan*, and shall comply with the provisions of the *Measures for Supervision and Management of Environmental Protection* when handing over to a third party for disposal of medical waste and wastewater.

In order to improve the treatment methods for medical waste and wastewater, the Group formulated the *Measures for Supervision and Management of Environmental Protection* and implemented a series of normative measures to manage the Group's waste and wastewater discharge in a more refined manner. Some of measures that have been implemented 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;

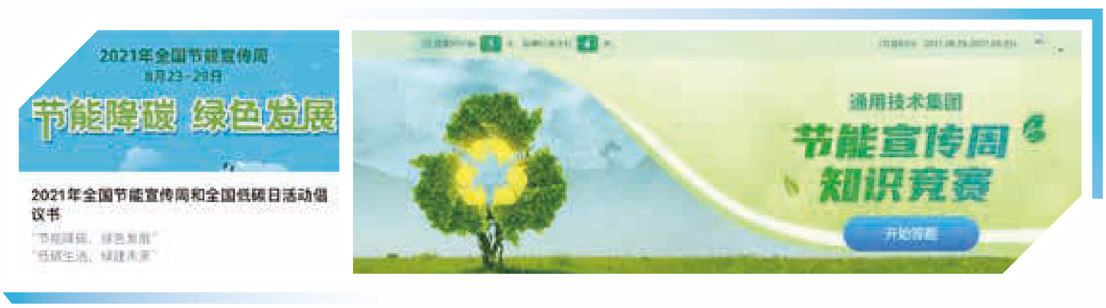
- Industrial waste residues, rubbish and other solid waste are strictly prohibited to enter into the drainage systems;

- 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*.

During the Reporting Period, the Group did not have any pollution or leakage accident of waste and wastewater.

5.4 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, the Group carried out Energy Efficiency Promotion Week named "energy conservation and carbon reduction, green development" from 23 August to 29 August 2021. Meanwhile, we held the Low-carbon Day activity with the theme of "Low-carbon Life, Green build the Future" on 25 August 2021. The subsidiaries of the Group shall formulate and organize various energy-saving and environmental protection activities based on their business characteristics, to popularize the concept of ecological civilization, green development and related knowledge, as well as promote advanced practices and experience in energy conservation and environmental protection, so as to gradually form a strong corporate culture of environmental protection within the Group, practice the concept of energy conservation and low carbon in our production and life, and accelerate the formation of green production and life.



In this initiative, we used multimedia to promote energy conservation and emission reduction, made related posters and actively responded to the concept of environmental protection, to enhance employees' awareness and sense of participation in energy conservation and environmental protection.

5.5 Environmental Performance

Statistics on relevant emissions and use of resources from operation of hospital group business during the Reporting Period are as follow:

Emissions generated	The amount generated	Unit
Air pollutants[2]		
Nitrogen oxide (NOx)	1,520.30	kilogram
Sulfur oxide (SOx)	1.87	kilogram
Particulates (PM2.5)	65.37	kilogram
Particulates (PM10)	71.26	kilogram
Carbon monoxide (CO)	1,768.99	kilogram
Greenhouse gas[3]		
Carbon dioxide (CO2) emission equivalent (Scope 1)	2,664.00	tons CO_2
Carbon dioxide (CO2) emission (Scope 2)	17587.37	tons CO_2
Total carbon dioxide (CO2) emission equivalent	20,251.38	tons CO_2

2 The air pollutants emissions come from the exhaust emissions of the vehicles owned and controlled by the Group within the scope of the Report. The specific emission data is calculated with reference to the Technical Guide for the Preparation of Air Pollutant Emission Inventory for Road Vehicles (Trial) issued by the Ministry of Ecology and Environment of the People's Republic of China.

3 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 Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and other Industries Enterprises (Trial) issued by the National Development and Reform Commission of the People's Republic of China. The calculation method of greenhouse gas emissions (Scope 2) is referring to national grid average emission factor in the Instructions on Greenhouse Gas Emission Accounting and Reporting for Power Generating Equipment of Enterprises (2021) issued by the Ministry of Ecology and Environment of the People's Republic of China.

Emissions generated	The amount generated	Unit
Total carbon dioxide (CO2) emission density equivalent	0.07	tons/m^2 [4]
Hazardous waste		
Medical waste	1,428.799	tons
Density of hazardous waste	0.005	tons/m^2
Non-hazardous waste		
Waste paper	72,168.00	kilogram
Glass	10.85	tons
Plastic	19.348	tons
Domestic garbage	3,126.004	tons
Total non-hazardous waste	75,324.20	tons
Density of non-hazardous waste	0.25	tons/m^2
Wastewater		
Medical wastewater	819,337.6	tons
Density of medical wastewater	2.75	tons/m^2

During the Reporting Period, 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.

[4] 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 298,213 m^2 in total.

Resources consumption	Consumption	Unit
Use of Resources		
Energy		
Total energy consumption[5]	12,902.36	MWh
Density of energy consumption	0.04	MWh/m^2
Direct energy		
Total gasoline consumption (vehicle)	61,790.00	Litre
Density of gasoline consumption (vehicle)	1,930.94	Litre per vehicle
Total diesel consumption (vehicle and machinery)	50,124.00	Litre
Density of diesel consumption (vehicle and machinery)	2,948.47	Litre per vehicle and machinery
Total natural gas consumption	1,094,235.95	m^3
Density of natural gas consumption	3.67	m^3/m^2
Indirect energy		
Total electricity consumption	30,120,523.00	KWh
Density of total electricity consumption	101.00	KWh/m^2
Water		
Total water consumption	983,532.00	tons
Density of total water consumption	3.30	tons/m^2
Other resources		
Total paper consumption	69,481.00	kilogram
Density of paper consumption	0.23	kilogram/m^2

5 Total energy consumption is calculated with reference to the Guideline of the Greenhouse Gas Emissions Accounting and Reporting for the Chinese Power Generation Enterprise (Trial) issued by the National Development and Reform Commission of the People's Republic of China.

Statistics on relevant emissions and use of resources from operation of the Beijing headquarters of the Group (including finance and advisory business) during the Reporting Period are as follow:

Emissions generated	The amount generated	Unit
Air pollutants[6]		
Nitrogen oxide (NOx)	1.57	kilogram
Sulfur oxide (SOx)	0.08	kilogram
Particulates (PM2.5)	0.15	kilogram
Particulates (PM10)	0.16	kilogram
Carbon monoxide (CO)	28.36	kilogram
Greenhouse gas		
Carbon dioxide (CO2) emission equivalent (Scope 1)	12.80	tons CO_2
Carbon dioxide (CO2) emission equivalent (Scope 2)	318.78	tons CO_2
Total carbon dioxide (CO2) emission equivalent	331.58	tons CO_2
Total carbon dioxide (CO2) emission density	0.48	tons per person
Hazardous waste		
Waste lamp	0	pcs
Density of waste lamp	0	per person
Waste ink cartridges	20	pcs
Density of waste ink cartridge	0.03	per person
Waste batteries	744.00	kilograms
Density of waste batteries	1.08	kilograms per person
Non-hazardous waste		
Waste paper	5,060.00	kilograms
Density of waste paper	7.31	kilograms per person

6 The air pollutants emissions come from the exhaust emissions of the vehicles owned and controlled by the Group within the scope of the Report. The specific emission data is calculated with reference to the Technical Guide for the Preparation of Air Pollutant Emission Inventory for Road Vehicles (Trial) issued by the Ministry of Ecology and Environment of the People's Republic of China.

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

Resources consumption	Consumption	Unit
Use of Resources		
Energy		
Total energy consumption[7]	168.53	MWh
Density of energy consumption	0.001	MWh per person
Direct energy		
Total gasoline consumption (vehicle)	5,561.53	Litre
Density of gasoline consumption (vehicle)	8.04	Litre per person
Total natural gas consumption	10,800.00	m^3
Density of natural gas consumption	15.61	m^3 per person
Indirect energy		
Total electricity consumption	522,500.00	KWh
Density of total electricity consumption	755.06	KWh per person
Water		
Total water consumption	1,800.00	tons
Density of total water consumption	2.60	tons per person
Other resources		
Total paper consumption	5,060.00	kilograms
Density of paper consumption	7.31	kilograms per person

7 Total energy consumption is calculated with reference to the Guideline of the Greenhouse Gas Emissions Accounting and Reporting for the Chinese Power Generation Enterprise (Trial) issued by the National Development and Reform Commission of the People's Republic of China.

6. PEOPLE-ORIENTED

We view our employees as our valuable assets and an important cornerstone of our sustainable development. By formulating and implementing a series of employment policies and systems pursuant to laws and regulations, the Group effectively regulates corporate employment management and provides employees with an equal and diverse development platform.

6.1 Human Resources Management

6.1.1 Recruitment and dismissal

During the Reporting Period, 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*, 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 the *Prohibition of Child Labor* and other employment-related laws and regulations to regulate employment as a way to protect the legitimate rights and interests of employees. In this year, no violation of relevant national laws and regulations was reported.

In accordance with the above employment-related laws and regulations, we have formulated internal regulations such as 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》), and the *Administrative Measures for Labor Contract* to effectively manage employee recruitment and dismissal, compensation and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and benefits. Among them, the *Administrative Measures for Labor Contracts* stipulates that the conclusion of labor contracts should follow the principles of equality, voluntariness, and consensus through consultation as a way to eliminate forced labor.

In addition, we strictly control the recruitment plan, recruitment standards, selection of interview and written test, recruitment, probation period and employee assessment to ensure fair and rigorous recruitment. New employees are required to provide actual and valid identity documents and proof of household registration insurance for inspection to prevent the recruitment of child labor. Once the use of child labor and forced labor is found, we will immediately stop the relevant illegal activities and deal with the involved persons in accordance with the relevant systems of the Group.

6.1.2 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.

6.1.3 Working hours and leave

The headquarters of the Group has formulated the *Administrative Measures for Employees Attendance* and the *Administrative Measures for Paid Annual Leave of Employees* to ensure employees' right to adequate vacations. We require subsidiaries to formulate their own management policies with reference to these measures. The measures clarify the working hours and various types of vacations they can enjoy, as well as the application procedures. In addition to statutory holidays and public holidays, we ensure that employees can enjoy sick leave, marriage leave, maternity leave, work injury leave and other holidays.

6.1.4 Equal opportunity, diversity and anti-discrimination

We pursue an equal and diverse employee management policies, and all employees should be treated with respect and should not be discriminated against in recruitment, compensation and promotion based on gender, age, religion, race, disability, illness, marital status or pregnancy. We adhere to the principle of openness and equality when recruiting, and make selections based on professional knowledge, comprehensive quality, professional ability and their matching degree with the value system of the Group to widely attract employees from all provinces, cities and ethnic groups to form a diverse talent team, and encourage employees to communicate and share with each other to promote cultural integration.

6.1.5 Employee benefits and treatment

We strictly abide by the *Social Insurance Law of the People's Republic of China* (《中華人民共和國社會保險法》), the *Labor Contract Law, the Payment of Wages Tentative Provisions, Regulations on the Management of Housing Provident Fund* and other relevant regulations to safeguard the legitimate rights and interests of employees to enjoy social insurance benefits. In addition, on the basis of statutory welfare benefits, we 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, as a responsible employer who cares for our employees, we have always been committed to providing good benefits to our employees. During the Reporting Period, we actively organized a series of rich and diverse employee care activities to relieve the physical and mental stress of employees, enhance team emotional communication, and improve their life quality.

In order to celebrate the "International Women's Day on 8 March" and allow female employees to spend a happy, warm and unforgettable holiday after busy work, the Group launched the "Beautiful Month" series of activities in March to send deep affection and care to female colleagues. On 8 March 2021, we surprised female employees by placing a bunch of blooming flowers on their desks, attaching a thoughtful holiday card. Every small gift is full of hearts and wishes to send festive blessings to the employees.

Meanwhile, caring for the physical and mental health of female employees and in order to meet their needs, the Group arranged exclusive sports courses such as boxing, Pilates, fun fat burning, and body shaping for them during the month to cheer female employees for their hard-working and arduous efforts.

On the Nurses' Day in 2021, the Group sent warm gifts to the "Nightingales" as a way to convey greetings and best wishes to the nursing staff, and on the Doctors' Day, sent carefully selected gifts to the "Angels in White" to help doctors grow. On the eve of the Chinese New Year, the medical institutions affiliated to the Group received New Year candies from the headquarters of the Group to celebrate the New Year sweetly.

We actively carried out a variety of cultural and sports activities through different interest groups, such as badminton, table tennis, and basketball. Moreover, we made full use of the time off work and weekends to organize and carry out cultural and sports activities to intertwine the amusing with the educational. Both the badminton team and the basketball team arrange a fixed time each week to carry out activities. While enriching the spiritual and cultural life of employees, the Group further enhanced the sense of identity and belonging of the cadres and employees to the Company, and strengthened the cohesion and centripetal force of the Company.

During the year, the number of employees at the headquarters of the Group by gender, age group, employee type, employee category and work area is as follows:

Types		Number of employees	Turnover rate[8] (percentage)
Gender	Male	444	21%
	Female	316	17%
Age group	Age < 30	207	22%
	Age 30-50	528	16%
	Age > 50	25	56%
Employment type	Full-time	743	18%
	Part-time	17	53%
Employee category	Senior	9	0%
	Middle	52	8%
	Junior	699	20%
Work area	Beijing	622	20%
	Others	138	14%

6.2 Employee Safety

The Group has thoroughly studied and implemented the management concept of safe production in China, formulated a sound safety management system in accordance with our high-quality development requirements, and fully implemented the main responsibility for safe production. We implement a series of occupational health and safety management measures for employees and carry out various safety training to provide employees with a healthy and safe working environment and avoid the occurrence of injuries or occupational diseases.

8 The employee turnover rate is calculated by dividing the number of employees belonging to a certain category during the Reporting Period by the total number of employees in the category at the end of the Reporting Period.

In the Reporting Period, 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 the past three reporting years (including the current year), the Group has not experienced any death in work safety.

6.2.1 Discharging the responsibility for safety production

In accordance with the above laws and regulations related to occupational health and safety, the Group has formulated and implemented policy documents such as the *Guidelines for Standardization of Safety Production* (《安全生產標準化指引》), the *Measures for the Supervision and Administration of Safety Production* (《安全生產監督管理辦法》), and the *Overall Emergency Response Plan for EHS Accidents* (《EHS事故總體應急預案》), to standardize the Group's management of occupational disease hazards, safety production principles, main responsibilities of operating units, and hidden danger investigation and management. The Group has established an EHS Committee, which is responsible for decision-making and deployment of the Company's safety production. Meanwhile, the Group and each unit need to comprehensively revise and sign the *Responsibility Letter for Safety Production Targets* (《安全生產工作目標責任書》) every year according to the actual situation, and make a summary report on safety production at the end of the year. Moreover, the headquarters of the Group will issue the key work arrangements for safety production in the next year to each unit to ensure that each operating unit clearly understands its position in the Group's safety production system and its safety production responsibilities.

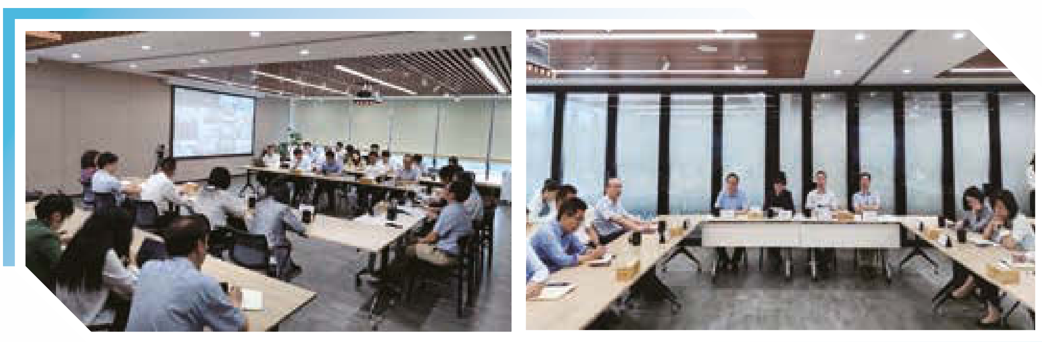
In this year, key achievements in safety production of the Company are as follows:

- Comprehensively promote the hierarchical management and control of risks of the Company's subordinate units, and realize the risk management and control structure of "one list for one hospital";
- Compile and issue the *Guidelines for Standardization of Safety Production of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司安全生產標準化指引》);
- Build an EHS information platform, strengthen group management and control, and improve management energy efficiency;
- Continue the three-year action plan for improving safety production;
- Carry out safety activities and emergency drills;
- Revise the safety management system.

6.2.2 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, to further enhance employees' awareness of occupational disease prevention and safety production.

Special meeting on safety production



In response to the national "Safety Production Month", the Group carried out various activities themed "implementing safety responsibilities and promoting safe development". We held a special meeting on safety production on 1 June 2021. At the meeting, all leaders of the Group redeployed and re-implemented the work on safety production. The heads of various departments, leaders of subordinate units and relevant members participated in the meeting in physical or by video.

Seminar on "Safety Production Month"


During the Safe Production Month, all units held a total of 24 publicity sessions such as "large lectures", "talking with everyone", "open classes", and "micro classes". Focusing on the main line of "performing safety responsibilities and promoting safe development", the special lectures preached the national safety production policies. The number of participants reached 1,381. We also organized 35 video broadcasts on accident warning, where employees learned safety production knowledge and lessons from accidents to effectively enhance employees' safety awareness and improve safety skills. The number of participants was 2,555.

"119" fire awareness month


In November 2021, to respond to the office of Beijing Municipal Fire Safety Committee (北京市防火安全委員會), the Group held the "119" fire awareness month with the theme of "performing fire responsibilities and preventing safety risks", and actively cooperated with the launching ceremony of the "119" fire awareness month held by the territorial government, observed the achievements of fire safety work and advanced equipment for fire fighting and rescue. By organizing employees at the headquarters to actively conduct a safety evacuation drill in batches for the evacuation passages of the units and places where they were located, we improved employees' awareness of fire safety, and enhanced their ability to escape from danger and do self-rescue and mutual rescue as a way to prevent and reduce the occurrence of fire accidents.

6.3 Talents Cultivation

The Group believes that employees are the key to the success of the Company's business. We follow the concept of "people-oriented, talent first", and regard employees as a major driving force for corporate development. A lot of resources have been invested in employee training and career development. By improving the employee training system, building growth channels for talents, and strengthening assessment orientation, we encourage employees to actively study, continuously improve their work skills and professional knowledge, and contribute their personal strength to the development of the enterprise.

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.

During the Reporting Period, we organized and held a series of medical and non-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, general camp, youth cadre training camp, and 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 and hospital operation, training meeting on medical insurance unannounced inspection procedures

Hospital Clinical Development Department

- Large ward rounds, training center refresher training, special training sessions, academic seminars, hand-in-hand series of activities, internal circulation training for specific posts

Nephrology Medicine Department

- Case discussions, online academic conferences, continuing education

Medical Humanities Service Management Department

- "Convoy Plan" nursing training activities, cadre training, service efficiency improvement workshop

In order to strengthen the medical service capabilities of the oncology specialty of the hospitals of Universal Medical, the Oncology Medical Management Department and the Medical Humanities Service Management Department participated in the "Learning Course on Frontier Progress of Palliative Nursing at the End of Life (生命末期全程緩和護理前沿進展學習班)" hosted by Peking Union Medical College Hospital in July 2021.

Including Ansteel Group Hospital, Pangang Group Hospital, Yangmei General Hospital, Ma'anshan Seventeenth Metallurgical Hospital (馬鞍山十七冶醫院) and brother hospitals in Beijing participated in the training. This training discussed the palliative care model, the role of nurses in palliative care multidisciplinary cooperation, nutritional management, symptom management, comfort care, and skin care for end-of-life patients, hospice care for surgical oncology patients, communication with elderly patients, grief counseling for end-of-life patients and their families.

Through a series of discussions and case sharing, the event gave participants a rare opportunity to discuss how to build a full-course management service model for cancer patients in their respective hospitals.


With the opening of Building 5 of Yantai Harbour Hospital, the hemodialysis room is about to be relocated; the number of dialysis beds continues to expand; and the number of hemodialysis patients has also increased significantly. Organized by the Group's Nephrology Medicine Department, the vascular access team of Yantai Harbour Hospital carried out a series of activities on access management from 22 to 24 October 2021. The event invited vascular access specialist of the uremia diagnosis and treatment center of School of Medicine of Shanghai Jiaotong University to instruct medical staff to properly manage the patient's vascular access on site.

This activity allowed the medical staff in the hemodialysis room to further understand the importance and methods of integrated management of vascular access, so that the patient's access was effectively managed.

In this year, the 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		Number of Employees Trained	Percentage of Employees Trained[9]	Average Hours of Training Received per Employee (hours)[10]
Gender	Male	328	75%	18.6
	Female	112	25%	20.4
Employee category	Senior	9	2%	21.8
	Middle	65	16%	13.2
	Junior	326	82%	23.3

7. COMMUNITY BUILDING

As a practitioner of corporate social responsibility, we adhere to the tenet of "kindness and care", and on the basis of developing our own business, we always pay attention to the needs and development of the community, organize a series of community care activities in an orderly manner, and actively support disadvantaged groups as a way to give back to the community.

We care for and give back to the society by providing primary medical services, poverty alleviation donations, volunteer services to promote the harmonious development of enterprises and society, share development results, and ensure that our business operations always care for the interests of society.

9 The calculation method of the percentage of employees trained is: the number of trained employees of the category/total number of trained employees.

10 The calculation method of the average hours of training received per employee is: the total training hours of employees of the category/the total number of employees of the category.

Digital medical community health platform enables people in remote areas to enjoy the dividends of medical digital transformation

2021 is the seventh year for GT-PRC, Universal Medical and its affiliated hospitals to carry out border support such as aid to Xinjiang and Tibet. In order to effectively solve the difficulty in seeing a doctor in Taxkorgan Tajik Autonomous County ("Taxkorgan"), in April this year, the Group began to establish a digital medical community health platform for the local people's hospital.

Through the improvement of rural healthcare informatization, the 12 townships and counties under the jurisdiction of Taxkorgan have formed a close medical network with the county hospital, realized the collection and sharing of inspection and testing, electronic medical records and other information between primary medical institutions and county-level hospitals. The effective use of high-quality medical resources in lower-tier hospitals was achieved through business collaboration such as remote consultation. This measure enables local people to go to the township health center near their home to see a doctor when they are sick, to enjoy the medical resources of the county-level hospital remotely, and even for some minor problems, to see a doctor without leaving home. It truly fulfilled the people's demands of "picking up the mobile phone to see a doctor, and no need to run around, and treating the disease without mistake".

The first "Mobile Hospital" of central enterprises settled in Shangdu, Inner Mongolia to deliver high-quality medical resources to door

In September 2021, the Group, entrusted by GT-PRC, donated the first "Xiaotong Mobile Medical Vehicle" to Shangdu, Ulanqab, Inner Mongolia. The Vehicle settled in Shangdu, Inner Mongolia as the first local "mobile hospital" service in Shangdu to deliver high-quality medical resources to door, solve the problem of medical treatment in remote areas, and provide high-quality, efficient, safe and accessible medical services.

In the future, GT-PRC will also carry out the "Internet + healthcare" project, and strive to build "an Internet hierarchical diagnosis and treatment platform, a digital primary medical service network, and a one-stop chronic disease and health management center", to build a "healthy Shangdu" and fully meet the people's all-round, full-cycle and multi-level medical and health needs.

"Xinyan Charity Fund" project officially launched

In March 2021, the launching ceremony of the "China Primary Health Care Foundation Xinyan Charity Fund" jointly sponsored by the Group and China Primary Health Care Foundation (hereinafter referred to as the "Primary Care Foundation") was held at the Beijing headquarters.

With the purpose of "helping patients, doctors, and institutions" to enhance the commonweal, sharing and fairness of medical and health services, the "Xinyan Charity Fund" project uses the power of medical profession to bring hope and warmth of healing to patients. The first batch of projects launched by "Xinyan Charity Fund" include patient assistance and doctor training in neonatal, cardiovascular, obstetrics and gynecology, digestion and other disciplines, which share the same goal of the Group's mission of "protecting life and health with quality medical care".

Standing by Hebei, we undertook the testing of 1 million nucleic acid samples

At the beginning of the new year, the pandemic in Hebei resumed. CCFCC Lingbei Hospital (including CCFCC Hospital) of the Group performed outstandingly during the anti-pandemic period in 2020, so it was re-assigned by the local government to undertake the inspection of millions of nucleic acid samples in January 2021. In order to successfully start the task of testing 1 million nucleic acid samples, we gave full play to the resource advantages of a medical and health group to respond quickly. We prepared nucleic acid testing laboratory vehicles in 7 days, shortened the purchase-production-transport cycle of negative pressure ambulances from 50 days to 3 days, and quickly deployed 3 PCR-certified personnel from Xi'an and Chengdu. We helped Hebei fight the pandemic with "lightning action", which demonstrated the responsibility of central enterprises.

World Kidney Day charity activity

In March 2021, the Group organized 16 medical institutions to hold the World Kidney Day charity activity themed "Healthy Chinese Kidneys – Global in Action", with the participation of thousands of kidney patients.

The activity was organized by a number of hospitals including Yangmei General Hospital, Ansteel Group Hospital, Pangang Group Hospital, XD Group Hospital, Yantai Harbour Hospital, CREC Xi'an Hospital, CREC Huazhou Hospital, Yangmei Third Hospital of Universal Medical. A variety of activities for kidney patients, such as investigation, diagnosis, treatment, and rehabilitation, provided useful guidance for kidney patients and the public.

During the event, we released two major standards for the construction of nephrology: "Nephrology Star Rating Rules of Universal Medical (《環球醫療腎臟科評星評級細則》)" and "Scoring Rules of Hemodialysis Room Quality Management Standard of Universal Medical (《環球醫療血透室質量管理標準評分細則》)". This is a solid and important step taken by the Group to better benefit the majority of patients with renal disease and help the development of nephrology. Peng Jiahong, the then CEO of the Company, said in her speech that she hoped this event would enhance the public's health awareness, and improve the life quality of patients with kidney disease, and the public welfare activities would reflect our practice of the responsibilities as a central enterprise. We would play an active role in improving the management and quality control system of hemodialysis, promoting the normalization, specialization and standardization of nephrology medical service behavior, and improving the service level of nephropathy diagnosis and treatment.

8. CONTENT INDEX OF "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE"

Mandatory Disclosure Requirements	Descriptions	Reference Chapters or Remarks
Governance Structure	A statement from the Board containing the following elements: (i) a disclosure of the Board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG – related issues; and (iii) how the Board reviews progress made against ESG – related targets with an explanation of how they relate to the issuer's business.	3. Sustainability Management
Reporting Principles	A description of, or an explanation on, the application of the materiality, quantitative and consistency principles in the preparation of the ESG Report.	1. About the Report
Reporting Scope	A narrative explaining the reporting scope of the ESG Report and describing the process used to identify which entities or operations are included in the ESG Report. If there is any change to the scope, the issuer should explain the difference and reason for the change.	

Aspect	KPI	Descriptions	Reference Chapters or Remarks
A. Environmental			
A1 Emissions	General Disclosure	The policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste and compliance with relevant laws and regulations that have a significant impact on the issue.	5. Environmental Benefits
	A1.1	The types of emissions and respective emissions data.	
	A1.2	Direct and indirect energy greenhouse gas emissions and intensity.	
	A1.3	Total hazardous waste produced and intensity.	
	A1.4	Total non-hazardous waste produced and intensity.	
	A1.5	Description of emissions target(s) set and the steps taken to achieve them.	3. Sustainability Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of reduction target(s) set and the steps taken to achieve them.	
A2 Use of Resources	General Disclosure	Policies on the efficient use of resources.	5. Environmental Benefits
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	
	A2.2	Water consumption in total and intensity.	
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3. Sustainability Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, and water efficiency target(s) set and steps taken to achieve them.	
	A2.5	Total packaging material used for finished products with reference to per unit produced.	Not Applicable

Aspect	KPI	Descriptions	Reference Chapters or Remarks
A. Environmental			
A3 Environmental and Natural Resources	**General Disclosure**	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5. Environmental Benefits
	A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	
A4 Climate Change	**General Disclosure**	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and actions taken to manage them.	

Aspect	KPI	Descriptions	Reference Chapters or Remarks
B. Social			
B1 Employment	**General Disclosure**	Information on the policies and 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.	6. People-oriented
	B1.1	Total workforce by gender, employment type, age group and geographical region.	
	B1.2	Employee turnover rate by gender, age group and geographical region.	
B2 Health and Safety	**General Disclosure**	Information on the policies and 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.	
	B2.1	Number and rate of work-related fatalities in each of the past three years.	
	B2.2	Lost days due to work injury.	
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
B3 Development and Training	**General Disclosure**	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
	B3.1	The percentage of employees trained by gender and employee category.	
	B3.2	The average training hours completed per employee by gender and employee category.	
B4 Labor Standards	**General Disclosure**	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labor.	
	B4.1	Description of measures to review employment practices to avoid the child and forced labor.	
	B4.2	Description of steps taken to eliminate such practices when discovered.	

Aspect	KPI	Descriptions	Reference Chapters or Remarks
B5 Supply Chain Management	**General Disclosure**	Policies on managing environmental and social risks of the supply chain.	4. Responsible Operation
	B5.1	Number of suppliers by geographical region.	
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
B6 Product Responsibility	**General Disclosure**	Information on the policies and 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.	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable
	B6.2	Number of products and service related complaints received and how they are dealt with.	4. Responsible Operation
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	
	B6.4	Description of quality assurance process and recall procedures.	Not Applicable
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4. Responsible Operation

Aspect	KPI	Descriptions	Reference Chapters or Remarks
B7 Anti-corruption	**General Disclosure**	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4. Responsible Operation
	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.	
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
	B7.3	Description of anti-corruption training provided to directors and staff.	
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.	7. Community Building
	B8.1	Focus areas of contribution.	
	B8.2	Resources contributed (e.g. money or time) to the focus area.	

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 6 to 133, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 2021, 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 87% 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 the 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, 20 and 42 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
29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**9,914,273**	8,521,238
Cost of sales		**(5,714,834)**	(4,967,263)
Gross profit		**4,199,439**	3,553,975
Other income and gains	5	**313,782**	185,467
Selling and distribution costs		**(462,005)**	(380,390)
Administrative expenses		**(739,754)**	(613,868)
Impairment losses on financial assets, net		**(318,235)**	(247,446)
Loss on derecognition of financial assets measured at amortised cost		**(942)**	–
Other expenses		**(285,210)**	(113,513)
Finance costs		**(29,132)**	(30,558)
Share of profits of:			
A joint venture		**13,673**	11,085
An associate		**192**	262
PROFIT BEFORE TAX	6	**2,691,808**	2,365,014
Income tax expense	9	**(661,339)**	(551,104)
PROFIT FOR THE YEAR		**2,030,469**	1,813,910
Attributable to:			
Owners of the parent		**1,835,233**	1,647,537
Non-controlling interests		**82,739**	66,773
Other equity instruments		**112,497**	99,600
		2,030,469	1,813,910
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic (expressed in RMB per share)		**0.99**	0.96
Diluted (expressed in RMB per share)		**0.91**	0.96

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR		**2,030,469**	1,813,910
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/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	18	**88,433**	(518,844)
Reclassification adjustments for (gains)/losses included in the consolidated statement of profit or loss		**(174,783)**	619,473
Income tax effect		**28,682**	(18,715)
		(57,668)	81,914
Exchange differences on translation of foreign operations		**(1,632)**	–
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(59,300)**	81,914
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	28	**(4,842)**	(2,726)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(4,842)**	(2,726)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(64,142)**	79,188
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,966,327**	1,893,098
Attributable to:			
Owners of the parent		**1,773,456**	1,728,057
Non-controlling interests		**80,374**	65,441
Other equity instruments		**112,497**	99,600
		1,966,327	1,893,098

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**2,523,269**	2,346,601
Right-of-use assets	13(a)	**794,652**	763,089
Loans and accounts receivables	20	**39,518,628**	35,532,729
Prepayments, other receivables and other assets	21	**507,316**	48,710
Goodwill	14	**102,253**	69,908
Deferred tax assets	27	**561,184**	398,739
Financial assets at fair value through profit or loss	17	**366,470**	–
Derivative financial instruments	18	**6,915**	–
Investment in a joint venture	15	**476,015**	455,892
Investment in an associate	16	**4,284**	4,215
Other intangible assets		**46,183**	58,603
Total non-current assets		**44,907,169**	39,678,486
CURRENT ASSETS			
Inventories	19	**265,427**	198,034
Loans and accounts receivables	20	**21,046,689**	18,662,682
Prepayments, other receivables and other assets	21	**383,576**	258,402
Derivative financial instruments	18	**–**	9,173
Restricted deposits	22	**954,862**	667,701
Cash and cash equivalents	22	**2,342,078**	2,036,535
Total current assets		**24,992,632**	21,832,527
CURRENT LIABILITIES			
Trade payables	23	**1,111,983**	868,396
Other payables and accruals	24	**2,417,318**	2,190,903
Interest-bearing bank and other borrowings	25	**14,745,821**	19,850,230
Derivative financial instruments	18	**346,569**	337,083
Tax payable		**109,608**	73,059
Total current liabilities		**18,731,299**	23,319,671
NET CURRENT ASSETS/(LIABILITIES)		**6,261,333**	(1,487,144)
TOTAL ASSETS LESS CURRENT LIABILITIES		**51,168,502**	38,191,342

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Convertible bonds – host debts	26	**882,689**	–
Interest-bearing bank and other borrowings	25	**28,544,061**	20,131,111
Other payables and accruals	24	**3,653,649**	3,018,646
Other non-current liabilities	34	**257,200**	–
Derivative financial instruments	18	**207,648**	76,250
Total non-current liabilities		**33,545,247**	23,226,007
Net assets		**17,623,255**	14,965,335
EQUITY			
Equity attributable to the owners of the parent			
Share capital	29	**5,297,254**	4,327,842
Equity component of convertible bonds	26	**75,486**	–
Reserves	30	**7,731,249**	6,442,672
		13,103,989	10,770,514
Other equity instruments	39	**1,661,840**	1,652,387
Non-controlling interests		**2,857,426**	2,542,434
Total equity		**17,623,255**	14,965,335

Peng Jiahong
Director

Wang Wenbing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Equity attributable to the owners of the parent													
	Share capital RMB'000 (Note 29)	Equity component of convertible bonds RMB'000 (Note 26)	Capital reserve* RMB'000 (Note 30)	Statutory reserve* RMB'000 (Note 30)	Share-based compensation reserve* RMB'000 (Note 30)	General and regulatory reserves* RMB'000 (Note 30)	Exchange fluctuation reserve* RMB'000 (Note 30)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000 (Note 39)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	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
Profit for the year	-	-	-	-	-	-	-	-	-	1,835,233	1,835,233	112,497	82,739	2,030,469
Other comprehensive loss for the year:														
Cash flow hedges, net of tax	-	-	-	-	-	-	-	(57,668)	-	-	(57,668)	-	-	(57,668)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,632)	-	-	-	(1,632)	-	-	(1,632)
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	-	-	(2,477)	-	(2,477)	-	(2,365)	(4,842)
Total comprehensive income for the year	-	-	-	-	-	-	(1,632)	(57,668)	(2,477)	1,835,233	1,773,456	112,497	80,374	1,966,327
Issue of shares	969,412	-	-	-	-	-	-	-	-	-	969,412	-	-	969,412
Issue of convertible bonds (Note 26)	-	75,486	-	-	-	-	-	-	-	-	75,486	-	-	75,486
Issue of renewable corporate bonds (Note 39)	-	-	-	-	-	-	-	-	-	-	-	1,643,300	-	1,643,300
Redemption of renewable corporate bonds (Note 39)	-	-	(7,696)	-	-	-	-	-	-	-	(7,696)	(1,652,304)	-	(1,660,000)
Acquisition of subsidiaries (Note 32)	-	-	-	-	-	-	-	-	-	-	-	-	234,618	234,618
Distribution paid to holders of renewable corporate bonds	-	-	-	-	-	-	-	-	-	-	-	(94,040)	-	(94,040)
Dividends	-	-	-	-	-	-	-	-	-	(482,981)	(482,981)	-	-	(482,981)
Recognition of equity-settled share-based payments	-	-	-	-	5,798	-	-	-	-	-	5,798	-	-	5,798
Appropriation of statutory reserves	-	-	-	189,794	-	-	-	-	-	(189,794)	-	-	-	-
Appropriation of general and regulatory reserves	-	-	-	-	-	757,880	-	-	-	(757,880)	-	-	-	-
At 31 December 2021	5,297,254	75,486	27,078	1,059,986	11,596	757,880	27,616	(34,578)	(5,709)	5,887,380	13,103,989	1,661,840	2,857,426	17,623,255

* These reserve accounts comprise the consolidated reserves of RMB7,731,249,000 (2020: RMB6,442,672,000) in the consolidated statement of financial position.

	Equity attributable to the owners of the parent											
	Share capital RMB'000 (Note 29)	Capital reserve* RMB'000 (Note 30)	Statutory reserve* RMB'000 (Note 30)	Share-based compensation reserve* RMB'000 (Note 30)	Exchange fluctuation reserve* RMB'000 (Note 30)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000 (Note 39)	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/(loss) 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	–	–	–	–	–	–	–	–	–	–	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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,691,808**	2,365,014
Adjustments for:			
Finance costs and interest expense		**1,720,709**	1,754,175
Interest income	5	**(45,765)**	(43,554)
Share of profits of a joint venture and an associate		**(13,865)**	(11,347)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value losses, net	6	**241,377**	81,202
Realised fair value losses, net	6	**24,682**	15,500
Depreciation of property, plant and equipment	6	**259,437**	222,715
Depreciation of right-of-use assets	6	**43,220**	32,514
Loss/(gain) on disposal of property, plant and equipment, net		**4,737**	(3,921)
Amortisation of intangible assets		**16,807**	14,964
Impairment of loans and accounts receivables and other receivables	6	**318,235**	247,446
Equity-settled share-based compensation expense	6	**5,798**	5,798
Foreign exchange (gains)/losses, net	6	**(30,609)**	2,952
Interest income from continuing involvement in transferred assets	5	**(10,931)**	–
Gain on unlisted debt investments, at fair value	5	**(7,842)**	–
Fair value gains from financial assets at fair value through profit or loss	5	**(1,470)**	–
		5,216,328	4,683,458
Increase in inventories		**(52,312)**	(23,510)
Increase in loans and accounts receivables		**(6,649,032)**	(4,874,480)
(Increase)/decrease in prepayments, other receivables and other assets		**(210,760)**	50,518
Decrease in other assets		**4,429**	1,110
(Increase)/decrease in amounts due from related parties		**(147)**	1,253
Increase/(decrease) in trade payables		**171,104**	(500,833)
Increase in other payables and accruals		**781,381**	344,382
(Decrease)/increase in amounts due to related parties		**(1,409)**	1,402
Net cash flows used in operating activities before interest and tax		**(740,418)**	(316,700)
Interest received		**49,541**	25,389
Income tax paid		**(709,693)**	(680,410)
Net cash flows used in operating activities		**(1,400,570)**	(971,721)

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Realised losses on derivative financial instruments not qualifying as hedges		**(37,600)**	(56,670)
Realised gains on financial assets at fair value through profit or loss		**7,842**	–
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets		**(385,066)**	(401,394)
Proceeds from disposal of items of property, plant and equipment		**145**	529
Acquisition of subsidiaries		**47,473**	89,079
Dividends received from an associate		**123**	245
Decrease in time deposits		**74,500**	–
Increase in amounts due from a related party		**(15,000)**	–
Other repayments of investments		**–**	(25,910)
Other receipt of investments		**14,511**	97,590
Purchase of financial assets at fair value through profit or loss		**(500,000)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**135,000**	–
Addition to a joint venture		**(6,450)**	–
Net cash flows used in investing activities		**(664,522)**	(296,531)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of renewable corporate bonds		**1,643,300**	–
Proceeds from issue of convertible bonds		**966,173**	–
Proceeds from issue of shares		**969,412**	–
Redemption of renewable corporate bonds		**(1,660,000)**	–
Increase in amounts due to related parties		**4,379,332**	3,029,281
Decrease in amounts due to related parties		**(6,035,021)**	(1,282,192)
Acquisition of non-controlling interest		**–**	(83,120)
Cash received from borrowings		**28,621,382**	24,816,668
Repayments of borrowings		**(23,580,303)**	(23,152,970)
Principal portion of lease payments		**(314,957)**	(932,706)
Interest paid		**(1,686,284)**	(1,887,288)
Cash paid for restricted deposits		**(5,766,482)**	(6,125,462)
Receipt of restricted deposits		**5,403,097**	5,986,491
Dividends paid		**(482,981)**	(454,117)
Other cash receipts relating to financing activities		**455,653**	442,014
Other cash payments relating to financing activities		**(520,543)**	(391,227)
Net cash flows from/(used in) financing activities		**2,391,778**	(34,628)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**326,686**	(1,302,880)
Cash and cash equivalents at beginning of year		**2,036,535**	3,385,867
Effect of exchange rate changes on cash and cash equivalents		**(21,143)**	(46,452)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,342,078**	2,036,535
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,123,940**	2,456,736
Less: Restricted deposits		**(781,862)**	(420,201)
Cash and cash equivalents as stated in the statement of financial position	22	**2,342,078**	2,036,535
Cash and cash equivalents as stated in the statement of cash flows		**2,342,078**	2,036,535

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 provision of 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*(i) (China Universal Leasing Co., Ltd.)	PRC/Mainland China	USD968,887,616	100.00	–	Finance lease
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
通用環球醫療發展(英屬維京群島)有限公司 (Genertec Universal Medical Development (BVI) Co., Ltd.)	British Virgin Islands	USD1	100.00	–	Provision of financing
通用環球醫院投資管理(天津)有限公司*** (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

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 Direct	Indirect	Principal activities
陝西華虹醫藥有限公司***(ii) (Shaanxi Huahong Pharmaceutical Co., Ltd.)	PRC/Mainland China	RMB100,000,000	–	97.50	Sale of medical related goods
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
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*** (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

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 Direct	Indirect	Principal activities
通用環球華陽山西健康產業有限公司***(iii) (Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.)	PRC/Mainland China	RMB1,380,000,000	–	51.00	Hospital management services
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
通用環球(西安)健康醫院管理有限公司*** (Genertec Universal (Xi'an) Health Hospital Management Co., Ltd.)	PRC/Mainland China	RMB274,920,300	–	72.75	Hospital management services
涼山州環康醫院管理有限公司*** (Liangshanzhou Huankang Hospital Management Co., Ltd.)	PRC/Mainland China	RMB345,917,100	–	51.00	Hospital management services
北京環康醫院管理有限公司*** (Beijing Huankang Hospital Management Co., Ltd.)	PRC/Mainland China	RMB3,903,300	–	60.00	Hospital management services
西電集團醫院**** (Xi'an XD Group Hospital)	PRC/Mainland China	RMB99,215,200	–	63.00	Medical services

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	
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
通用環球西安北環醫院**** (Genertec Universal Xi'an Beihuan Hospital)	PRC/Mainland China	RMB10,000,000	–	72.75	Medical services
攀鋼西昌醫院**** (Pangang Group Xichang Hospital)	PRC/Mainland China	RMB10,000,000	–	51.00	Medical services
中國建築材料科學研究總院管莊東裡醫院**** (China Building Material Academy Guanzhuang Dongli Hospital)	PRC/Mainland China	RMB3,500,000	–	60.00	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 the 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 20 October 2021, the Company increased the capital of China Universal Leasing Co., Ltd. from USD818,887,616 to USD968,887,616.

(ii) On 31 December 2021, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. acquired a 97.5% equity interest in Shaanxi Huahong Pharmaceutical Co., Ltd. from Xi'an Wanheng Medical Technology Development Co., Ltd.

(iii) On 8 April 2021,Shanxi Yangmei Group General Hospital Medical Management Co., Ltd. changed its name to Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.

(iv) On 18 November 2021, the Group cancelled the registration of Universal Number One Co., Ltd.

(v) On 31 December 2021, the Group cancelled the registration of Genertec Universal Hospital Management Handan Co., Ltd.

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 and financial assets at fair value through profit or loss 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 2021. 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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised HKFRSs are described below:

(a) 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 risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group also had interest rate swap contracts and cross-currency interest rate swaps whereby the Group pays interest at a fixed rate of 1.76%~3.93% and receives interest at variable rates based on LIBOR on the notional amount. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings and interest rate swap, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 42 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2,5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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
5 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

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

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

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 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 resulting from a downstream transaction 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 *Classification of Liabilities as Current or Non-current* 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.

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. 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 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.

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.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures 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.*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its derivative financial instruments and debt investments 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(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 10 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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(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 and equipment (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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

Financial assets at 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.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Derivative financial instruments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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:

- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Renewable corporate bonds

Renewable corporate bonds issued by the Group contain 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 bonds issued as equity instruments. Fees, commissions and other transaction costs of such renewable corporate bonds issuance are deducted from equity. The distributions on renewable corporate bonds 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, 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, associates and joint ventures, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

Deferred tax assets and deferred tax liabilities are offset if 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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.

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 38 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 measured at fair value 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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 exchange rates that approximate to those prevailing at the dates of the transactions. 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 disposal and its value in use. The calculation of the fair value less costs to disposal 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 2021 was RMB102,253,000 (2020: 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 2021

	Finance and advisory RMB'000	Hospital group RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	5,307,546	4,606,727	–	9,914,273
Intersegment sales	–	1,650	(1,650)	–
Cost of sales	(1,829,066)	(4,022,583)	136,815	(5,714,834)
Other income and gains	293,549	157,048	(136,815)	313,782
Selling and distribution costs and administrative expenses	(769,608)	(433,801)	1,650	(1,201,759)
Impairment (losses)/reversal on financial assets, net	(323,191)	4,956	–	(318,235)
Loss on derecognition of financial assets measured at amortised cost	(942)	–	–	(942)
Share of profit of an associate	–	192	–	192
Share of profit of a joint venture	–	13,673	–	13,673
Other expenses	(274,024)	(11,186)	–	(285,210)
Finance costs	(3,609)	(25,523)	–	(29,132)
Profit before tax	2,400,655	291,153	–	2,691,808
Income tax expense	(625,838)	(35,501)	–	(661,339)
Profit after tax	1,774,817	255,652	–	2,030,469
Segment assets	63,844,047	8,937,442	(2,881,688)	69,899,801
Segment liabilities	52,848,896	2,309,338	(2,881,688)	52,276,546
Other segment information:				
Impairment losses/(reversal) recognised in the statement of profit or loss	323,191	(4,956)	–	318,235
Depreciation and amortisation	52,841	266,623	–	319,464
Investment in an associate	–	4,284	–	4,284
Investment in a joint venture	–	476,015	–	476,015
Capital expenditure	87,107	297,959	–	385,066

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 profit of an associate	–	262	–	262
Share of profit 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)

Geographical information

(a) Revenue from external customers

	2021 RMB'000	2020 RMB'000
Mainland China	**9,914,273**	8,519,130
Hong Kong	**–**	2,108
	9,914,273	8,521,238

The revenue information above is based on the locations of customers.

(b) All non-current assets of the operations, excluding financial instruments, right-of-use assets 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:

	2021 RMB'000	2020 RMB'000
Revenue		
Finance lease income	**1,042,792**	2,701,978
Long-term receivable income arising from sale-and-leaseback arrangements	**3,416,105**	1,331,731
Factoring income	**43,501**	14,329
Revenue from contracts with customers	**5,397,813**	4,479,947
Revenue from other sources – Others	**51,046**	21,802
Taxes and surcharges	**(36,984)**	(28,549)
	9,914,273	8,521,238

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Finance and advisory RMB'000	Hospital group RMB'000	Total RMB'000
Types of goods or services			
Service fee income	833,456	18,517	851,973
Sale of finished goods	–	309,412	309,412
Healthcare service income	–	4,236,428	4,236,428
Total revenue from contracts with customers	833,456	4,564,357	5,397,813
Geographical market			
Mainland China	833,456	4,564,357	5,397,813
Timing of revenue recognition			
Goods transferred at a point in time	–	309,412	309,412
Services transferred at a point in time	833,456	4,254,945	5,088,401
Total revenue from contracts with customers	833,456	4,564,357	5,397,813

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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)

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 2021

Segments	Finance and advisory RMB'000	Hospital group RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	**833,456**	**4,564,357**	**5,397,813**
Intersegment sales	**–**	**1,650**	**1,650**
	833,456	**4,566,007**	**5,399,463**
Intersegment adjustments and eliminations	**–**	**(1,650)**	**(1,650)**
Total revenue from contracts with customers	**833,456**	**4,564,357**	**5,397,813**

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

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:

	2021 **RMB'000**	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Service fee income	**51,959**	35,560
Sale of finished goods	**19,175**	7,751
Healthcare services	**91,765**	90,973
	162,899	134,284

(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 at the 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 the point in time as services are rendered.

	2021 RMB'000	2020 RMB'000
Other income and gains		
Gains on disposal of property, plant, and equipment	**–**	3,921
Interest income	**45,765**	43,554
Foreign exchange incomes, net	**30,609**	–
Government grants (note 5a)	**211,508**	134,352
Gain on unlisted debt investments, at fair value	**7,842**	–
Interest income from continuing involvement in transferred assets	**10,931**	–
Fair value gains from financial assets at fair value through profit or loss	**1,470**	–
Others	**5,657**	3,640
	313,782	185,467

5a. GOVERNMENT GRANTS

	2021 RMB'000	2020 RMB'000
Government special subsidies	**211,508**	134,352

6. PROFIT BEFORE TAX

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

	2021 RMB'000	2020 RMB'000
Cost of borrowings included in cost of sales	**1,691,577**	1,723,617
Cost of inventories sold	**207,835**	163,463
Cost of medical services	**2,328,687**	1,919,294
Cost of others	**22,579**	12,314
Depreciation of property, plant and equipment	**259,437**	222,715
Depreciation of right-of-use assets	**43,220**	32,514
Amortisation of intangible assets*	**15,807**	13,964
Lease payments not included in the measurement of lease liabilities	**10,621**	15,872
Auditor's remuneration		
– audit services	**3,515**	2,999
– other services	**2,691**	2,254
Research and development expenses	**25,844**	16,629
Employee benefit expense* (including directors' remuneration (Note 7))		
– Equity-settled share-based compensation expense	**5,798**	5,798
– Wages and salaries	**1,368,619**	1,061,787
– Pension scheme contributions (defined contribution schemes)	**186,256**	104,678
– Other employee benefits	**557,137**	491,218
	2,117,810	1,663,481
Impairment of loans and accounts receivables, other receivables and subordinated tranches of asset-backed securities	**318,235**	247,446
Foreign exchange (gains)/losses, net	**(30,609)**	2,952
Cash flow hedges (transfer from equity to offset foreign exchange)	**(174,783)**	619,473
Others	**144,174**	(616,521)
Derivative financial instruments – transactions not qualifying as hedges:		
– Unrealised fair value losses, net	**241,377**	81,202
– Realised fair value losses, net	**24,682**	15,500

* 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	
	2021	2020
	RMB'000	RMB'000
Fees	**773**	1,119
Other emoluments:		
Salaries, allowances and benefits in kind	**5,103**	3,885
Performance related bonuses*	**5,986**	6,878
Pension scheme contributions	**492**	322
	11,581	11,085
	12,354	12,204

* 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 38 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:

	2021 RMB'000	2020 RMB'000
Mr. Li Yinquan	**172**	186
Mr. Chow Siu Lui	**172**	186
Mr. Han Demin	**172**	186
Mr. Liao Xinbo	**172**	189
	688	747

There were no other emoluments payable to the independent non-executive directors during the year (2020: 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
2021					
Executive directors:					
Ms. Peng Jiahong	–	2,239	2,628	226	5,093
Mr. Wang Wenbing (i)	–	731	858	40	1,629
Mr. Yu Gang	–	2,133	2,500	226	4,859
Non-executive directors:					
Mr. Zhao Yan (ii)	–	–	–	–	–
Mr. Tong Chaoyin (iii)	–	–	–	–	–
Mr. Feng Songtao (iv)	–	–	–	–	–
Ms. Liu Kun (v)	–	–	–	–	–
Mr. Liu Zhiyong (vi)	–	–	–	–	–
Mr. Zhang Yichen (vii)	–	–	–	–	–
Mr. Zhu Ziyang (viii)	–	–	–	–	–
Mr. Liu Xiaoping (ix)	43	–	–	–	43
Mr. Su Guang (x)	42	–	–	–	42
	85	5,103	5,986	492	11,666

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
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 (vii)	–	–	–	–	–
Ms. Liu Kun (v)	–	–	–	–	–
Mr. Liu Xiaoping (ix)	186	–	–	–	186
Mr. Liu Zhiyong (vi)	–	–	–	–	–
Mr. Su Guang (x)	186	–	–	–	186
	372	3,885	6,878	322	11,457

Notes:

(i) Appointed on 13 September 2021

(ii) Appointed on 27 August 2021

(iii) Appointed on 14 May 2021

(iv) Appointed on 13 September 2021 and resigned on 9 February 2022

(v) Resigned on 9 September 2021

(vi) Resigned on 9 September 2021

(vii) Resigned on 27 August 2021

(viii) Appointed on 7 July 2021

(ix) Resigned on 6 March 2021

(x) 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 (2020: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: 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 (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**3,950**	3,287
Performance related bonuses	**16,936**	24,891
Pension scheme contributions	**625**	407
	21,511	28,585

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	
	2021	2020
HKD4,000,001 to HKD5,000,000 (RMB3,270,401 to RMB4,088,000)	**1**	1
HKD5,000,001 to HKD6,000,000 (RMB4,088,001 to RMB4,905,600)	**1**	–
HKD8,000,001 to HKD9,000,000 (RMB6,729,601 to RMB7,570,800)	**–**	1
HKD16,000,001 to HKD17,000,000 (RMB13,081,601 to RMB13,899,200)	**1**	–
HKD20,000,001 to HKD21,000,000 (RMB16,824,001 to RMB17,665,200)	**–**	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 38 to the financial statements.

9. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current – Mainland China		
Charge for the year	**793,864**	680,029
Charge for/(Overprovision in) prior years	**1,238**	(20,056)
Deferred tax	**(133,763)**	(108,869)
Total tax charge for the year	**661,339**	551,104

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 (2020: 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:

	2021 RMB'000	2020 RMB'000
Profit before tax	**2,691,808**	2,365,014
At the PRC statutory income tax rate	**672,952**	591,254
Expenses not deductible for tax purposes	**3,851**	13,213
Income not subject to tax	**(48,190)**	(33,352)
Profits attributable to a joint venture and an associate	**(3,466)**	(2,837)
Adjustment on current income tax in respect of prior years	**1,238**	(20,056)
Unrecognised tax losses	**3,842**	2,942
Additional deductible expense	**(28,424)**	(28,060)
Utilisation of previously unrecognised tax losses	**(1,364)**	–
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**60,900**	28,000
Income tax expense as reported in the consolidated statement of profit or loss	**661,339**	551,104

The share of tax attributable to an associate and a joint venture amounting to approximately RMB5,000 (2020: RMB16,000) and RMB1,323,000 (2020: RMB3,891,000), respectively, is included in "Share of profit of an associate" and "Share of profit of a joint venture" in the consolidated statement of profit or loss.

10. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Proposed final dividend – HKD0.36 (2020: HKD0.31) per ordinary share	**550,570**	494,261

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,859,853,318 (2020: 1,716,304,580) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amounts is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2021 RMB'000	2020 RMB'000
Profit attributable to ordinary equity holders of the parent	**1,835,233**	1,647,537
Interest on convertible bonds	**27,776**	–
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	**1,863,009**	1,647,537

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,859,853,318**	1,716,304,580
Effect of dilution – weighted average number of ordinary shares:		
Share options	**686,724**	–
Convertible bonds	**177,210,365**	–
Weighted average number of ordinary shares for diluted earnings per share	**2,037,750,407**	1,716,304,580

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2021

	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 2021:								
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
At 1 January 2021, net of accumulated depreciation	13,923	28,613	337,239	517,191	40,333	1,274,922	134,380	2,346,601
Additions	3,980	1,901	26,344	161,096	10,398	1,824	111,936	317,479
Acquisition of subsidiaries (note 32)	1,670	2,177	1,057	42,289	–	79,375	–	126,568
Depreciation provided during the year	(3,316)	(8,608)	(59,800)	(127,567)	(12,160)	(47,986)	–	(259,437)
Transfers	–	–	–	–	–	92,266	(92,266)	–
Disposals	(1,136)	(1,093)	(559)	(2,728)	–	(2,426)	–	(7,942)
At 31 December 2021, net of accumulated depreciation	15,121	22,990	304,281	590,281	38,571	1,397,975	154,050	2,523,269
At 31 December 2021:								
Cost	23,773	44,400	459,044	860,836	73,357	1,504,563	154,050	3,120,023
Accumulated depreciation	(8,652)	(21,410)	(154,763)	(270,555)	(34,786)	(106,588)	–	(596,754)
Net carrying amount	15,121	22,990	304,281	590,281	38,571	1,397,975	154,050	2,523,269

As at 31 December 2021, the Group has not obtained the property ownership certificates for buildings with a net book value of RMB584,737,000 (31 December 2020: RMB552,900,000).The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2021.

As at 31 December 2021, no property, plant and equipment (31 December 2020: Nil) were pledged to secure general banking facilities granted to the Group.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	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

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 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(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 2020	120,646	569,291	689,937
Additions	5,580	11,464	17,044
Acquisition of subsidiaries	–	94,299	94,299
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)
Depreciation charge	(29,871)	(2,643)	(32,514)
As at 31 December 2020 and 1 January 2021	90,678	672,411	763,089
Additions	24,633	–	24,633
Acquisition of subsidiaries (Note 32)	–	52,395	52,395
Depreciation charge	(40,276)	(2,944)	(43,220)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(2,245)	–	(2,245)
As at 31 December 2021	72,790	721,862	794,652

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:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**2,174,077**	3,120,242
New leases	**524,633**	1,405,563
Accretion of interest recognised during the year	**99,246**	102,400
Payments	**(897,333)**	(2,448,451)
Covid-19-related rent concessions from lessors	**–**	(5,543)
Acquisition of subsidiaries (Note 32)	**1,529**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(2,245)**	(134)
Carrying amount at 31 December	**1,899,907**	2,174,077
Analysed into:		
Current portion	**1,120,162**	700,137
Non-current portion	**779,745**	1,473,940

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**99,246**	102,400
Depreciation charge of right-of-use assets	**43,220**	32,514
Expense relating to short-term leases	**10,621**	15,872
Total amount recognised in profit or loss	**153,087**	150,786

(d) The total cash outflow for leases is disclosed in note 33(c) to the financial statements.

14. GOODWILL

	RMB'000
At 1 January 2020:	
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
Cost at 1 January 2021, net of accumulated impairment	**69,908**
Acquisition of subsidiaries (Note 32)	**32,345**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2021	**102,253**
At 31 December 2021:	
Cost	**102,253**
Accumulated impairment	**–**
Net carrying amount	**102,253**

14. GOODWILL (CONTINUED)

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% (2020: 15%).The implied pre-tax discount rate for the cash flow projections is 13.98% to 15% (2020: 12.66% to 15%). As at 31 December 2021, the Group assessed the impairment of goodwill and the recoverable amount exceeded the carrying amount, and hence the goodwill was not regarded as impaired (2020: Nil).

Assumptions were used in the value in use calculation of the CGUs for 31 December 2021 and 31 December 2020. 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

	2021 RMB'000	2020 RMB'000
Share of net assets	**523,604**	509,931
Unpaid consideration	**(47,589)**	(54,039)
Carrying amount of the investment	**476,015**	455,892

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.

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.

15. INVESTMENT IN A JOINT VENTURE (CONTINUED)

	2021 RMB'000	2020 RMB'000
Non-current assets	**339,676**	340,007
Cash and cash equivalents	**34**	50
Current assets	**650,926**	624,395
Current liabilities	**(8,264)**	(7,733)
Non-current liabilities	**–**	–
Net assets	**982,372**	956,719
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	**523,604**	509,931
Unpaid consideration	**(47,589)**	(54,039)
Carrying amount of the investment	**476,015**	455,892

	2021 RMB'000	2020 RMB'000
For the period after the Group's investment:		
Revenue	**36,828**	28,456
Administrative expenses	**(5,987)**	(6,675)
Other expenses	**(28)**	(13)
Profit and total comprehensive income for the period after the Group's investment	**25,653**	20,797

16. INVESTMENT IN AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Share of net assets	**4,284**	4,215
	4,284	4,215

The following table illustrates the summarised financial information of the associate:

	2021 RMB'000	2020 RMB'000
Carrying amount of the investment	**4,284**	4,215
Share of the associate's profit for the period after the Group's investment	**192**	262

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Unlisted debt investments, at fair value	**366,470**	–

The above debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The above debt investments at 31 December 2021 included a carrying amount of RMB366,470,000 (31 December 2020: nil), and they were investments of priorities tranches of asset-backed securities. The Group does not have the current ability to direct the activities of those products that significantly affect their returns. The Group's maximum exposure to those debt investments approximates to their carrying amounts.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000
Forward currency contracts	**–**	**544,448**	9,173	366,778
Interest rate swaps	**6,915**	**1,403**	–	27,162
Cross-currency interest rate swaps	**–**	**8,366**	–	19,393
	6,915	**554,217**	9,173	413,333
Portion classified as non-current:				
Forward currency contracts	**–**	**201,687**	–	73,639
Interest rate swaps	**6,915**	**815**	–	2,611
Cross-currency interest rate swaps	**–**	**5,146**	–	–
	6,915	**207,648**	–	76,250
Current portion	**–**	**346,569**	9,173	337,083

Cash flow hedge under HKFRS 9

During the year, the Group designated 23 (2020: 5) foreign exchange rate contracts, 4 (2020:2) interest rate swap contracts and 7 (2020: 4) 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 swap 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.

18. 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 RMB306,328,000 (31 December 2020: a negative net fair value of RMB360,233,000) and a total notional amount of USD1,042,900,000 (31 December 2020: USD1,037,600,000);and (ii) a net fair value of RMB0.00 (31 December 2020: a net fair value of RMB9,173,000) and a total notional amount of HKD0.00 (31 December 2020: HKD924,677,000). 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 swap contracts, with (i) a positive net fair value of RMB4,673,000 (31 December 2020: a negative net fair value of RMB25,347,000), and a total notional amount of USD118,250,000 (31 December 2020: USD264,000,000) whereby the Group pays a fixed rate of interest on the USD notional amount at 1.76% to 2.37% per annum. The swaps are being used to hedge the interest rate exposure of three floating rate long-term borrowings denominated in United States dollars with the total face value of USD118,250,000 (31 December 2020: USD264,000,000);and (ii) a positive net fair value of RMB839,000 (31 December 2020: a negative net fair value of RMB1,815,000), and a total notional amount of HKD930,150,000 (31 December 2020: HKD390,000,000) whereby the Group pays a fixed rate of interest on the HKD notional amount at 2.00% to 2.47% per annum. The swaps are being used to hedge the interest rate exposure of three floating rate long-term borrowing denominated in Hong Kong dollars with the total face value of HKD930,150,000 (31 December 2020: HKD390,000,000).

The Group holds cross-currency interest rate swaps, with a negative net fair value of RMB8,366,000 (31 December 2020: RMB19,393,000), and a total notional amount of USD92,942,000 (31 December 2020: USD30,000,000) whereby the Group pays a fixed rate of interest on the USD notional amount at 3.72% to 3.93% 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 seven floating rate long-term borrowing denominated in United States dollars with the total face value of USD92,942,000 (31 December 2020: USD30,000,000).

18. 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 2021							
Forward currency contracts							
Notional amount (in USD'000)	10,150	113,300	10,150	79,700	85,800	743,800	1,042,900
Average forward rate (USD/RMB)	6.89	6.66	6.95	7.01	6.85	6.83	
Interest rate swap contracts							
Notional amount (in USD'000)	–	–	–	–	49,000	69,250	118,250
Average fixed rate	–	–	–	–	1.76%	2.18%	
Notional amount (in HKD'000)	–	390,000	–	–	–	540,150	930,150
Average fixed rate	–	2.47%	–	–	–	2.23%	
Cross-currency interest rate swaps							
Notional amount (in USD'000)	–	30,000	–	–	–	62,942	92,942
Average forward rate (USD/RMB)	–	6.46	–	–	–	6.43	
Average fixed rate	–	3.85%	–	–	–	3.89%	
Hedge rate	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

	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%	

18. 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 2021				
Forward currency contracts (USD/RMB)	**1,042,900**	**(306,328)**	**Derivative financial instruments (liabilities)**	**53,905**
Forward currency contracts (HKD/USD)	**–**	**–**	**N/A**	**(9,173)**
Interest rate swaps (in USD'000)	**118,250**	**4,673**	**Derivative financial instruments (assets)**	**30,020**
Interest rate swaps (in HKD'000)	**930,150**	**839**	**Derivative financial instruments (asset/ liabilities)**	**2,654**
Cross-currency interest rate swaps (USD/RMB)	**92,942**	**(8,366)**	**Derivative financial instruments (liabilities)**	**11,027**
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)

The impacts of the hedged items on the statement of financial position are as follows:

	Cash flow hedge reserve	
	2021 RMB'000	2020 RMB'000
Unsecured bank loans	**(265,424)**	(440,207)

18. 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 2021

	Total hedging gain/(loss) recognised in other comprehensive income			Amount reclassified from other comprehensive income to 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	Line item in the statement of profit or loss
Forward currency contracts	**44,732**	**(21,720)**	**23,012**	**(167,962)**	**51,454**	**(116,508)**	**Other expense/ Other income and gains**
Cross-currency interest rate swaps	**11,027**	**(2,757)**	**8,270**	**(6,821)**	**1,705**	**(5,116)**	**Other expense/ Other income and gains**
Interest rate swaps	**32,674**	**–**	**32,674**	**–**	**–**	**–**	**N/A**
Total	**88,433**	**(24,477)**	**63,956**	**(174,783)**	**53,159**	**(121,624)**	

Year ended 31 December 2020

	Total hedging gain/(loss) recognised in other comprehensive income			Amount reclassified from other comprehensive income to 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	Line item in the statement of profit or loss
Forward currency contracts	(513,873)	117,867	(396,006)	601,702	(136,987)	464,715	Other expense
Cross-currency interest rate swaps	(19,393)	4,848	(14,545)	17,771	(4,443)	13,328	Other expense
Interest rate swaps	14,422	–	14,422	–	–	–	N/A
Total	(518,844)	122,715	(396,129)	619,473	(141,430)	478,043	

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments – transactions not qualifying as hedges:

Forward currency contracts with a total nominal amount of USD967,837,000 (2020: 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 RMB241,377,000 (2020: a loss of RMB81,845,000) was included in the statement of profit or loss during the year ended 31 December 2021.

Interest rate benchmark reform

Following the decision by global regulators to phase out the existing interest rate benchmarks and replace them with RFRs, the Group is evaluating the impact on its existing hedge relationships. The evaluation is performed by a team headed by the chief financial officer and progress updates are made to the audit committee twice a year for interim and annual financial reporting. The Group has adopted the temporary reliefs provided by the amendments to HKFRS 9, HKAS 39 and HKFRS 7 which enable the hedge accounting of the Group to continue during the period of uncertainty, which is before the replacement of an existing interest rate benchmark with an RFR.

The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relationships that may be affected by the interest rate benchmark reform, analysed by interest rate benchmarks. The derivative hedging instruments provide a close approximation to the extent of the risk exposure that the Group manages through hedging relationships.

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Year ended 31 December 2021

	Nominal amount RMB'000	Weighted average maturity (Years)
Interest rate swap – United States dollar LIBOR	**753,927**	**2.17**
Cross-currency interest rate swap – United States dollar LIBOR	**592,573**	**1.76**
	1,346,500	

Year ended 31 December 2020

	Nominal amount RMB'000	Weighted average maturity (Years)
Interest rate swap – United States dollar LIBOR	1,722,574	0.94
Cross-currency interest rate swap – United States dollar LIBOR	195,747	0.37
	1,918,321	

19. INVENTORIES

	2021 RMB'000	2020 RMB'000
Finished goods	**265,427**	198,034

20. LOANS AND ACCOUNTS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Loans and accounts receivables due within 1 year	**21,046,689**	18,662,682
Loans and accounts receivables due after 1 year	**39,518,628**	35,532,729
	60,565,317	54,195,411

20a. Loans and accounts receivables by nature

	2021 RMB'000	2020 RMB'000
Gross lease receivables (note 20b)	**11,581,268**	22,025,928
Less: Unearned finance income	**(1,523,108)**	(2,597,394)
Net lease receivables (note 20b) **	**10,058,160**	19,428,534
Long-term receivables arising from sale-and-leaseback arrangements (note 20c)**	**50,169,353**	34,945,806
Factoring receivables (note 20d)**	**900,094**	275,882
Subtotal of interest-earning assets	**61,127,607**	54,650,222
Accounts receivables (note 20e)*	**882,565**	687,994
Notes receivables (note 20f)	**759**	430
Subtotal of loans and accounts receivables	**62,010,931**	55,338,646
Less:		
Provision for lease receivables (note 20g)	**(757,343)**	(715,515)
Provision for long-term receivables arising from sale-and-leaseback arrangements (note 20g)	**(665,396)**	(407,839)
Provision for factoring receivables (note 20g)	**(9,542)**	(2,703)
Provision for accounts receivables (note 20e)	**(13,333)**	(17,178)
	60,565,317	54,195,411

* These balances included balances with a related party which are disclosed in note 20i to the financial statements.

** These balances are included in the interest-earning assets disclosed in note 20g.

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20b(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:

	2021 RMB'000	2020 RMB'000
Gross lease receivables:		
Within 1 year	**–**	–
1 to 2 years	**–**	–
2 to 3 years	**–**	10,995,409
3 years and beyond	**11,581,268**	11,030,519
	11,581,268	22,025,928

	2021 RMB'000	2020 RMB'000
Net lease receivables:		
Within 1 year	**–**	–
1 to 2 years	**–**	–
2 to 3 years	**–**	9,698,939
3 years and beyond	**10,058,160**	9,729,595
	10,058,160	19,428,534

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20b(2). The table below illustrates the gross and net amounts of the lease receivables the Group expects to receive in the following consecutive accounting years:

	2021 RMB'000	2020 RMB'000
Gross lease receivables:		
Due within 1 year	**7,168,599**	10,856,003
Due in 1 to 2 years	**3,648,919**	7,429,166
Due in 2 to 3 years	**630,256**	3,252,150
Due after 3 years and beyond	**133,494**	488,609
	11,581,268	22,025,928

	2021 RMB'000	2020 RMB'000
Net lease receivables:		
Due within 1 year	**6,061,836**	9,219,306
Due in 1 to 2 years	**3,355,899**	6,714,139
Due in 2 to 3 years	**574,388**	3,037,926
Due after 3 years and beyond	**66,037**	457,163
	10,058,160	19,428,534

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 2021, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB1,308,453,000 and RMB1,212,912,000 (As at 31 December 2020: RMB2,303,825,000 and RMB2,084,462,000), respectively.

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20c(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:

	2021 RMB'000	2020 RMB'000
Within 1 year	**26,114,907**	19,895,124
1 to 2 years	**13,874,035**	15,050,682
2 to 3 years	**10,180,411**	–
	50,169,353	34,945,806

20c(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:

	2021 RMB'000	2020 RMB'000
Due within 1 year	**14,371,463**	9,049,697
Due in 1 to 2 years	**13,446,498**	8,618,269
Due in 2 to 3 years	**11,715,243**	7,987,677
Due after 3 years and beyond	**10,636,149**	9,290,163
	50,169,353	34,945,806

As at 31 December 2021, 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 RMB5,382,843,000 (31 December 2020: RMB3,679,898,000).

20d. 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:

	2021 RMB'000	2020 RMB'000
Within 1 year	**888,730**	275,882
More than 1 year	**11,364**	–
	900,094	275,882

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20e(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:

	2021 RMB'000	2020 RMB'000
Within 1 year	**850,350**	646,991
More than 1 year	**32,215**	41,003
	882,565	687,994

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

20e(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 2021

	Ageing		
	Within 1 year RMB'000	Over 1 years RMB'000	Total RMB'000
Gross carrying amount	**849,462**	**33,103**	**882,565**
Expected credit loss	**1,202**	**12,131**	**13,333**
Average expected credit loss rate	**0.14%**	**36.65%**	**1.51%**

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20f. 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:

	2021 RMB'000	2020 RMB'000
Within 1 year	**759**	430

20g. Analysis of interest-earning assets

As at 31 December 2021	**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	**53,626,877**	**6,705,055**	**795,675**	**61,127,607**
Allowance for impairment losses	**(589,413)**	**(498,358)**	**(344,510)**	**(1,432,281)**
Interest-earning assets, net	**53,037,464**	**6,206,697**	**451,165**	**59,695,326**

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

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20h. 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.

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 an 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.

	2021			
	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	498,020	393,522	234,515	1,126,057
Impairment losses for the year	118,020	62,657	125,547	306,224
Conversion to Stage I	32,049	(32,049)	–	–
Conversion to Stage II	(58,676)	109,299	(50,623)	–
Conversion to Stage III	–	(35,071)	35,071	–
At end of the year	589,413	498,358	344,510	1,432,281

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20h. Movements in provision for interest-earning assets (continued)

	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

20i. BALANCES WITH A RELATED PARTY

The balances of loans and accounts receivables of the Group included the balances with a related party are as follows:

Accounts receivables:

		2021 **RMB'000**	2020 RMB'000
China National Instruments Import & Export (Group) Corporation	(i)	**1,805**	1,805

The above related party is a subsidiary of China Genertec Technology (Group) Holding Limited ("Genertec Group").

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

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	2021 RMB'000	2020 RMB'000
Current:			
Prepayments		**96,194**	37,979
Other receivables		**225,561**	184,824
Other current assets		**38,520**	20,102
Due from related parties	21a	**16,956**	1,809
Interest receivables		**6,345**	13,688
		383,576	258,402
Non-current:			
Subordinated tranches of asset-backed securities		**133,174**	–
Continuing involvement in transferred assets (Note 43)		**257,200**	–
Prepayments for non-current assets		**97,688**	36,670
Other receivables for non-current assets		**12,344**	12,040
Other non-current assets		**6,910**	–
		507,316	48,710
		890,892	307,112

21a. BALANCES WITH RELATED PARTIES

Particulars of amounts due from related parties are as follows:

	2021 RMB'000	2020 RMB'000
Due from related parties:		
Beijing Xincai Hospital	**15,000**	–
Beijing 618 Hospital	**1,419**	–
Paryocean Properties Co., Ltd.	**294**	303
Genertec Finance Co., Ltd.	**122**	373
China National Instruments Import & Export (Group) Corporation	**121**	1,133
	16,956	1,809

The above related parties are subsidiaries of Genertec Group.

The balances with the related parties are unsecured and interest-free.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2021 **RMB'000**	2020 RMB'000
Cash and bank balances	**3,123,940**	2,456,736
Time deposits	**173,000**	247,500
	3,296,940	2,704,236
Less: Restricted deposits:		
Pledged deposits and restricted bank deposits	**(781,862)**	(420,201)
Time deposits with original maturity of more than three months	**(173,000)**	(247,500)
	(954,862)	(667,701)
Cash and cash equivalents	**2,342,078**	2,036,535

As at 31 December 2021, the cash and bank balances of the Group denominated in RMB amounted to RMB2,910,903,000 (31 December 2020: RMB2,422,550,000). 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 2021, cash of RMB781,862,000 (31 December 2020: RMB420,201,000) was pledged and restricted for bank and other borrowings.

As at 31 December 2021, cash of RMB1,491,458,000 (31 December 2020: RMB1,125,850,000) was deposited with Genertec Finance Co., Ltd., a related party.

23. TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**1,111,819**	866,823
Due to related parties (note 23b)	**164**	1,573
	1,111,983	868,396

The trade payables are non-interest-bearing and are normally repayable within one year.

23a. An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**1,055,530**	824,326
1 to 2 years	**29,456**	21,204
2 to 3 years	**6,289**	1,263
Over 3 years	**20,708**	21,603
	1,111,983	868,396

23b. BALANCES WITH RELATED PARTIES

Particulars of the amounts due to related parties are as follows:

	2021 RMB'000	2020 RMB'000
Trade payables:		
Genertec International Logistics Co., Ltd.	**87**	88
Genertec Italia s.r.l.	**77**	1,150
Genertec Europe Temax GmbH	**–**	335
	164	1,573

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.

24. OTHER PAYABLES AND ACCRUALS

	Notes	**2021** **RMB'000**	2020 RMB'000
Current:			
Lease deposits due within one year		**394,964**	588,421
Accrued salaries		**291,098**	211,514
Welfare payables		**37,289**	37,883
Current portion of post-retirement benefit obligation	28	**7,446**	7,474
Contract liabilities	24a	**148,915**	162,899
Due to related parties	24b	**466,640**	456,181
Other taxes payable		**111,491**	56,343
Interest payable		**280,620**	251,670
Funds collected on behalf of special purpose entities in relation to asset-backed securitisations		**264,329**	–
Other payables		**414,526**	418,518
		2,417,318	2,190,903
Non-current:			
Lease deposits due after 1 year		**2,812,407**	2,266,648
Accrued salaries		**726,886**	655,390
Non-current post-employment benefit obligation	28	**88,513**	87,425
Deferred revenue		**12,093**	9,183
Other payables		**13,750**	–
		3,653,649	3,018,646
		6,070,967	5,209,549

24. OTHER PAYABLES AND ACCRUALS (CONTINUED)

24a. Details of contract liabilities are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Service fee income	**3,108**	51,959	35,560
Sale of finished goods	**9,248**	19,175	7,751
Healthcare service	**136,559**	91,765	90,973
	148,915	162,899	134,284

Contract liabilities include short-term advances received to deliver goods and render services.

24b. BALANCES WITH RELATED PARTIES

Details of the amounts due to related parties are as follows:

		2021 RMB'000	2020 RMB'000
Due to related parties			
Genertec Hong Kong International Capital Limited	(i)	**14,068**	7,594
China General Technology (Group) Holding Limited	(i)	**–**	5,464
Sichuan Huankang Hospital Management Co., Ltd.	(ii)	**452,572**	443,123
		466,640	456,181

(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.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans						
– secured	**3.65**	**2022**	**90,000**	3.95	2021	10,000
– unsecured	**0.92~4.55**	**2022**	**3,787,871**	1.08~4.57	2021	2,306,909
Current portion of long-term bank loans:						
– secured	**3.60~4.99**	**2022**	**1,518,722**	3.98~5.51	2021	1,355,840
– unsecured	**1.59~4.60**	**2022**	**3,124,284**	1.55~4.75	2021	5,439,223
Lease liabilities						
– secured	**3.85~5.04**	**2022**	**1,079,488**	3.85~5.04	2021	659,853
– unsecured	**4.75~4.90**	**2022**	**40,674**	4.75~4.90	2021	40,284
Bonds payables						
– unsecured	**2.60~4.19**	**2022**	**4,854,782**	1.65~6.29	2021	6,344,062
Due to a related party						
– unsecured	**4.00**	**2022**	**250,000**	1.89~4.75	2021	3,694,059
			14,745,821			19,850,230
Non-current:						
Bank loans						
– secured	**3.60~4.99**	**2023~2026**	**2,813,112**	3.98~4.99	2022~2025	1,981,602
– unsecured	**0.88~4.45**	**2023~2024**	**12,973,292**	1.64~4.60	2022~2023	9,215,224
Bonds payables						
– unsecured	**3.40~4.50**	**2023~2025**	**9,952,772**	3.40~6.50	2022~2025	7,211,725
Lease liabilities						
– secured	**3.85**	**2023**	**756,456**	3.85~5.04	2022~2023	1,421,700
– unsecured	**4.75~4.90**	**2023~2030**	**23,289**	4.75~4.90	2022~2024	52,240
Due to a related party						
– unsecured	**1.92~4.00**	**2023~2024**	**2,025,140**	4.00	2022	248,620
			28,544,061			20,131,111
Convertible bonds						
– host debts (Note 26)	**2.00**	**2026**	**882,689**			–
			29,426,750			20,131,111
			44,172,571			39,981,341

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

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**8,520,877**	9,111,972
In the second year	**6,818,187**	3,942,224
In the third to fifth years, inclusive	**8,968,217**	7,254,602
	24,307,281	20,308,798
Other borrowings repayable:		
Within one year	**6,224,944**	10,738,258
In the second year	**760,903**	751,216
In the third to fifth years, inclusive	**12,873,900**	8,183,069
Beyond five years	**5,543**	–
	19,865,290	19,672,543
	44,172,571	39,981,341

Notes:

(a) As at 31 December 2021, the Group's bank and other borrowings secured by loans and accounts receivables, cash and bank balances and time deposits were RMB6,257,778,000 (31 December 2020: RMB5,428,995,000).

(b) As at 31 December 2021, the principal amount of the Group's borrowings from a related party was RMB2,275,140,000 from Genertec HONGKONG International Capital Limited (31 December 2020: RMB2,100,000,000 from China General Technology (Group) Holding Co., Ltd. (PRC) and RMB1,848,237,000 from Genertec HONGKONG International Capital Limited).

(c) As at 31 December 2021, China General Technology (Group) Holding Limited provided a comfort letter for bank borrowings in an amount of RMB11,105,434,000 (31 December 2020: RMB10,321,427,000).

26. CONVERTIBLE BONDS

On 25 March 2021, Genertec Universal Medical Development (BVI) Co., Ltd, a wholly-owned subsidiary of the Company issued the Convertible Bonds under the Specific Mandate (the "Convertible Bonds") with a nominal value of USD150,000,000. The Convertible Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the year. The Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HKD6.56 per share at any time on or after 25 March 2021 (the "Issue Date") and up to 5:00 p.m. on the fifteenth day prior to 25 March 2026 (the "Maturity Date"). The conversion price of the Convertible Bonds was adjusted from HKD6.56 per share to HKD6.47 per share with effect from 18 June 2021 as a result of the declaration of the final dividend for the year ended 31 December 2020. The Convertible Bonds are redeemable at the option of the bondholders at 100.00 per cent of its principal amount on 25 March 2024 or 2025. Any convertible notes not converted will be redeemed on 25 March 2026 at 100.00 per cent of their principal amount. The Convertible Bonds carry interest at a rate of 2.0 per cent per annum, which is payable semi-annually in arrears on 25 March and 25 September.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	2021 RMB'000
Nominal value of convertible bonds issued during the year	**979,230**
Equity component	**(75,486)**
Direct transaction costs attributable to the equity component	**(1,020)**
Direct transaction costs attributable to the liability component	**(12,037)**
Liability component at the issuance date	**890,687**
Interest expense	**27,776**
Interest paid	**(9,704)**
Exchange realignment	**(26,070)**
Liability component at 31 December (Note 25)	**882,689**

27. 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 2021	**273,834**	**161,620**	**–**	**617**	**2,413**	**438,484**
Credited to the statement of profit or loss during the year	**80,798**	**7,165**	**18,345**	**44,486**	**3,922**	**154,716**
Credited to reserves	**–**	**–**	**9,179**	**–**	**–**	**9,179**
Gross deferred tax assets at 31 December 2021	**354,632**	**168,785**	**27,524**	**45,103**	**6,335**	**602,379**
Gross deferred tax assets at 1 January 2020	214,061	120,963	10,423	–	–	345,447
Credited/(charged) 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

27. 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 2021	**30,293**	**8,227**	**–**	**1,225**	**39,745**
Charged to the statement of profit or loss during the year	**7,596**	**11,276**	**–**	**2,081**	**20,953**
Credited to reserves	**–**	**(19,503)**	**–**	**–**	**(19,503)**
Gross deferred tax liabilities at 31 December 2021	**37,889**	**–**	**–**	**3,306**	**41,195**
Gross deferred tax liabilities at 1 January 2020	30,127	–	4,961	1,774	36,862
Charged/(credited) 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

27. 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:

	2021 **RMB'000**	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**561,184**	398,739

The Company has tax losses arising in Hong Kong of RMB147,000,000 (2020: RMB137,668,000) 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 RMB49,262,000 (2020: RMB43,808,000) 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 2021, 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 RMB4,796,212,000 (2020: RMB4,625,562,000).

28. 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 2021 using the projected unit credit actuarial valuation method.

The post-retirement benefit obligations recognised in the consolidated statement of financial position are as follows:

	2021 **RMB'000**	2020 RMB'000
Post-retirement benefit obligations	**95,959**	94,899
Less: current portion	**(7,446)**	(7,474)
Non-current portion	**88,513**	87,425

The principal actuarial assumptions utilised as at the end of the reporting period are as follows:

	2021	2020
Discount rate for post-retirement benefits	**3.10%**	3.35%
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%

28. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

A quantitative sensitivity analysis for significant assumptions at the end of the reporting period is shown below:

2021	**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**	**(2,530)**	**0.25**	**2,642**
Annual increase rate of military welfare expense	**0.25**	**767**	**0.25**	**(738)**
Annual increase rate of work-related injury and living expenses	**0.25**	**23**	**0.25**	**(22)**

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)

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.

28. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Expected contributions to be made in the future years out of the post-retirement benefit obligations were as follows:

	2021 **RMB'000**	2020 RMB'000
Within 1 year	**7,446**	7,474
Between 2 and 5 years	**28,412**	28,605
Between 6 and 10 years	**31,509**	32,029
Over 10 years	**78,326**	81,879
Total expected payments	**145,693**	149,987

The average duration of the post-retirement benefit obligations at the end of 2021 was 12.64 years (2020: 11.77 years).

The movements in the post-retirement benefit obligations were as follows:

	RMB'000
1 January 2021	**94,899**
Pension cost charged to profit or loss:	
Past service cost	**165**
Net interest	**3,280**
Sub-total included in profit or loss	**3,445**
Remeasurement losses in other comprehensive income:	
Changes of the financial assumptions	**2,435**
Experience adjustments	**2,407**
Sub-total included in other comprehensive income	**4,842**
Benefits settled	**(7,227)**
31 December 2021	**95,959**

28. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	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

29. SHARE CAPITAL

	2021 **RMB'000**	2020 RMB'000
Issued and fully paid:		
1,891,539,661 (2020: 1,716,304,580) ordinary shares	**5,297,254**	4,327,842

30. 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.

General and regulatory reserves

The Group maintains a general reserve within equity, through the appropriation of profit, which sets aside to guard against losses on risk assets.

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2021	2020
Percentage of equity interest held by non-controlling interest:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	**49.00%**	49.00%
Genertec Ansteel Hospital Management Co., Ltd.	**48.85%**	48.85%

	2021 **RMB'000**	2020 RMB'000
(Loss)/profit for the year allocated to non-controlling interests:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	**(89)**	16,114
Genertec Ansteel Hospital Management Co., Ltd.	**30,517**	21,312
Accumulated balances of non-controlling interests at the reporting dates:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	**665,380**	665,470
Genertec Ansteel Hospital Management Co., Ltd.	**541,775**	515,989

31. 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:

2021	**Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd. RMB'000**	Genertec Ansteel Hospital Management Co., Ltd. RMB'000
Revenue	**892,885**	762,882
Total expenses	**893,067**	706,049
(Loss)/profit for the year	**(182)**	56,833
Total comprehensive (loss)/income for the year	**(182)**	51,990
Current assets	**1,201,862**	672,956
Non-current assets	**700,167**	775,270
Current liabilities	**(537,445)**	(244,544)
Non-current liabilities	**(6,665)**	(95,416)
Net cash flows from operating activities	**25,385**	29,907
Net cash flows used in investing activities	**(25,724)**	(27,965)
Net cash flows used in financing activities	**–**	(1,706)
Net (decrease)/increase in cash and cash equivalents	**(339)**	236

31. 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: (continued)

2020	Genertec Universal Huayang Shanxi Healthcare Industry 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)

32. BUSINESS COMBINATIONS

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

On 1 February 2021, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group ("Hospital Investment Co., Ltd."), acquired a 72.75% equity interest in Genertec Universal (Xi'an) Health Hospital Management Co., Ltd. at a consideration of RMB200,000,000. Upon completion of the transaction, Genertec Universal (Xi'an) Health Hospital Management Co., Ltd. is the promoter of Genertec Universal Xi'an Beihuan Hospital.

On 28 February 2021, Hospital Investment Co., Ltd. acquired a 51% equity interest in Liangshanzhou Huankang Hospital Management Co., Ltd. at a consideration of RMB176,418,000. Pangang Group Xichang New Steel Enterprise Co., Ltd. contributed RMB169,500,000 with 100% equity of Liangshanzhou Panxin Health Management Co., Ltd. to Liangshanzhou Huankang Hospital Management Co., Ltd. Liangshanzhou Panxin Health Management Co., Ltd. is the promoter of Pangang Group Xichang Hospital.

On 30 April 2021, Hospital Investment Co., Ltd. acquired a 60% equity interest in Beijing Huankang Hospital Management Co., Ltd. at a consideration of RMB2,342,000. Upon completion of the transaction, Beijing Huankang Hospital Management Co., Ltd. is the promoter of China Building Material Academy Guanzhuang Dongli Hospital.

On 1 July 2021, Genertec CREC (Beijing) Hospital Management Co., Ltd., a subsidiary of the Group, acquired a 100% equity interest in CREC Taiyuan Hospital at a consideration of RMB20,402,000. Upon completion of the transaction, Genertec CREC (Beijing) Hospital Management Co., Ltd. is the promoter of CREC Taiyuan Hospital.

On 30 November 2021, Anhui Huankang Hospital Management Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 100% equity interest in Wuhu Community Healthcare Service Center of Baohe District, Hefei ("Wuhu Community Healthcare Service Center") at a consideration of RMB3,016,000. Upon completion of the transaction, Anhui Huankang Hospital Management Co., Ltd. is the promoter of Wuhu Community Healthcare Service Center.

32. 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)	126,568
Right-of-use assets (note 13(a))	52,395
Cash and cash equivalents	50,489
Loans and accounts receivables	23,253
Prepayments, other receivables and other assets	37,344
Receivable of consideration to be paid as capital injection	399,162
Inventories	15,081
Other assets	267
	704,559
Liabilities	
Trade payables	68,700
Other payables and accruals	29,879
Interest-bearing bank and other borrowings	1,529
	100,108
Total identifiable net assets at fair value	604,451
Non-controlling interests	(234,618)
Goodwill on acquisition	32,345
Purchase consideration transferred	
Including:	
Consideration paid as additional capital injection to the subsidiaries after acquisition	176,418
Consideration unpaid as additional capital injection to the subsidiaries after acquisition	222,744
Consideration paid upon acquisition	3,016
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiaries included in cash flows from investing activities	50,489
Cash paid	(3,016)
Net inflow of cash and cash equivalents included in cash flows from investing activities	47,473
Transaction costs of the acquisition included in cash flows from operating activities	(214)

32. BUSINESS COMBINATIONS (CONTINUED)

If the acquisition had taken place at the beginning of the year, the revenue of the Group for the year would have been RMB10,290,072,000 and the net profit of the Group for the year would have been RMB2,048,380,000.

The fair values of the loans and accounts receivables and prepayments, other receivables and other assets as at the dates of acquisitions amounted to RMB23,253,000 and RMB37,344,000, respectively. The gross contractual amount of loans and accounts receivables was RMB24,834,000, of which RMB1,581,000 was expected to be uncollectible. The gross contractual amount of prepayments, other receivables and other assets was RMB37,997,000, of which RMB653,000 was expected to be uncollectible.

The Group incurred transaction costs of RMB214,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB24,633,000 (2020: RMB5,580,000) and RMB24,633,000 (2020: RMB5,580,000), respectively, in respect of lease arrangements for property.

(b) 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	Convertible bonds RMB'000
At 1 January 2021	**20,303,240**	**13,555,787**	**2,174,077**	**3,948,237**	**–**
Proceeds from new borrowings	**15,526,382**	**13,095,000**	**500,000**	**4,330,004**	**966,173**
Increase arising from acquisition of subsidiaries	**–**	**–**	**1,529**	**–**	**–**
New leases	**–**	**–**	**24,633**	**–**	**–**
Foreign exchange movement	**(283,578)**	**–**	**–**	**(7,971)**	**(26,070)**
Repayment of borrowings	**(11,296,067)**	**(11,850,000)**	**(814,957)**	**(5,995,130)**	**–**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	**–**	**(2,245)**	**–**	**–**
Equity component of convertible bonds	**–**	**–**	**–**	**–**	**(75,486)**
Interest expense	**57,304**	**6,767**	**99,246**	**–**	**27,776**
Interest paid	**–**	**–**	**(82,376)**	**–**	**(9,704)**
At 31 December 2021	**24,307,281**	**14,807,554**	**1,899,907**	**2,275,140**	**882,689**

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

	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 arising 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

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	**10,621**	15,872
Within financing activities	**314,957**	932,706
	325,578	948,578

34. OTHER NON-CURRENT LIABILITIES

	2021 **RMB'000**	2020 RMB'000
Continuing involvement in transferred assets	**257,200**	–

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 20, 22 and 25 to the financial statements.

36. COMMITMENTS

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

(a) Capital commitments

	2021 **RMB'000**	2020 RMB'000
Contracted, but not provided for	**1,645,398**	1,584,121

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 2021, 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 2021, the Group had invested RMB12,768,000 to the project.

36. COMMITMENTS (CONTINUED)

(b) Credit commitments

	2021 RMB'000	2020 RMB'000
Credit commitments	**6,690,000**	568,952

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

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 20, 21, 22, 23, 24 and 25 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:

	2021 RMB'000	2020 RMB'000
Genertec Finance Co., Ltd.	**4,337**	14,766

The interest was charged at rates ranging from 0.53% to 1.73% (2020: 0.46% to 1.73%) per annum.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(ii) Purchases of goods from related parties:

	2021 RMB'000	2020 RMB'000
Genertec Italia s.r.l.	**5,330**	5,959
Genertec Europe TEMAX GMBH	**–**	529
China MEHECO Co., Ltd.	**–**	498
Genertec America, INC	**–**	391
China MEHECO Med-tech Service CO., LTD.	**–**	49

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

(iii) Rental as a lessee:

	2021 RMB'000 (rental payment)	2020 RMB'000 (rental payment)
Paryocean Properties Co., Ltd.	**1,193**	1,294
China National Machinery Import & Export Corporation	**902**	–
China National Instruments Import & Export (Group) Corporation	**456**	262
General Technology Group Property Management Ltd.	**–**	6,745
China General Technology (Group) Holding Co., Ltd.	**–**	2,262
China National Corporation For Overseas Economic Cooperation	**–**	413
Beijing Mingqiang Property Management Ltd.	**–**	26

The rentals are charged based on terms mutually agreed between the Group and the respective parties.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iv) *Interest expenses:*

	2021 RMB'000	2020 RMB'000
Genertec Hong Kong International Capital Limited	**57,452**	40,687
China General Technology (Group) Holding Co., Ltd.	**16,164**	48,361

The interest expenses were charged at rates ranging from 1.89% to 4.75% (2020: 1.89% to 4.75%) per annum.

(v) *Consulting service fees:*

	2021 RMB'000	2020 RMB'000
Health China (Beijing) Healthcare Management Co., Ltd.	**132**	–
China International Advertising Co., Ltd.	**107**	–
China General Consulting & Investment Co., Ltd.	**38**	–
Instrimpex International Tendering Co., Ltd.	**25**	–
Genertec (UK) Limited	**5**	73

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

(vi) *Transportation expense:*

	2021 RMB'000	2020 RMB'000
Genertec International Logistics Co., Ltd.	**–**	384

The transportation expense was charged based on prices mutually agreed between the parties.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(vii) Sales of goods to related parties:

	2021 **RMB'000**	2020 RMB'000
China Xinxing Construction Engineering Co., Ltd.	**6,713**	–
China General Technology (Group) Holding., Limited	**4**	29
Genertec Italia s.r.l.	**–**	3,321
Qiqihar No.2 Machine Tool (Group) Co., Ltd.	**–**	201
China National Machinery IMP.&EXP.Corp.	**–**	74
CHINA P&T APPLIANCES	**–**	17
China Xinxing Group Co., Ltd.	**–**	9
Shenyang Machine Tool Co., Ltd.	**–**	8
China National Corporation For Overseas Economic Cooperation	**–**	6
China General Consulting & Investment Co., Ltd.	**–**	3
Genertec Finance Co., Ltd.	**–**	1

The sales of goods were charged based on prices mutually agreed between the parties.

(viii) 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. China Universal Leasing Co., Ltd., a wholly-owned subsidiary of the Group, provided liquidity support to the preference tranche of asset-backed securities. The preference tranche was early ended on 15 June 2021.

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

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with other government-related entities

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

During the 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 2021 and 2020 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.

(c) Transactions with a joint venture:

(i) Interest expense

	2021 **RMB'000**	2020 RMB'000
Sichuan Huankang Hospital Management Co., Ltd.	**14,415**	12,951

The interest expenses were charged at a rate of 3.20% per annum.

(ii) Consulting service fees:

	2021 **RMB'000**	2020 RMB'000
Sichuan Huankang Hospital Management Co., Ltd.	**59**	–

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

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	**23,526**	22,983

38. 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 and 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 other 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.

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. On 31 December 2021, the reserved options were expired.

38. SHARE OPTION SCHEME (CONTINUED)

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 2022	5.97	5,024,667
31 December 2023	5.97	5,024,667
31 December 2024	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 2021	Granted during the year ended 31 December 2021	Outstanding as at 31 December 2021
5.97	2019/12/31	15,074,000	–	15,074,000

5,024,667 share options which were granted on 31 December 2019 were vested and exercisable, but not yet exercised during the year.

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2021 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 (2020: RMB5,798,000) during the year ended 31 December 2021 in employee benefit expense.

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

38. SHARE OPTION SCHEME (CONTINUED)

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 2021, the Company had 15,074,000 (31 December 2020: 15,074,000) non-vested Share Options (including 2,644,000 (31 December 2020: 2,644,000) non-vested Share Options) granted to certain executive directors, 4,235,000 (31 December 2020: 3,394,000) non-vested Share Options granted to certain employees among the five highest paid employees and 4,596,000 (31 December 2020: 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.

39. 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. The Renewable Bonds have been fully redeemed on 27 December 2021.

China Universal Leasing issued the first tranche of the bonds (the "2021 T1 Bonds") of the renewable corporate bond with a total principal amount of RMB500,000,000, with a basic term of two years from 28 June 2021. The 2021 T1 Bonds are with a fixed interest rate of 5.1% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the T1 Bonds.

39. OTHER EQUITY INSTRUMENTS (CONTINUED)

China Universal Leasing issued the second tranche of the bonds (the "T2 Bonds") of the renewable corporate bond with a total principal amount of RMB670,000,000, with a basic term of two years from 25 October 2021. The T2 Bonds are with a fixed interest rate of 4.83% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the T2 Bonds.

China Universal Leasing issued the third tranche of the bonds (the "T3 Bonds") of the renewable corporate bond with a total principal amount of RMB480,000,000, with a basic term of one year from 16 November 2021. The T3 Bonds are with a fixed interest rate of 3.77% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the T3 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 bonds 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 bonds issued as equity instruments.

For the year ended 31 December 2021, the profits attributable to holders of the renewable corporate bonds based on the applicable distribution rates were RMB112,497,000 (For the year ended 31 December 2020: RMB99,600,000) and the distribution made by the Group to the holders of the renewable corporate bonds was RMB94,040,000 (For the year ended 31 December 2020: RMB99,600,000).

40. 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:

2021

	RMB'000
Financial assets	
Financial assets at amortised cost:	
Loans and accounts receivables	**60,565,317**
Financial assets included in prepayments, other receivables and other assets	**321,350**
Restricted deposits	**954,862**
Cash and cash equivalents	**2,342,078**
Financial assets at fair value through profit or loss:	
Financial assets at fair value through profit or loss	**366,470**
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	**6,915**
	64,556,992
Financial liabilities	
Financial liabilities at amortised cost:	
Trade payables	**1,111,983**
Financial liabilities included in other payables and accruals	**4,579,061**
Convertible bonds – host debts	**882,689**
Interest-bearing bank and other borrowings	**43,289,882**
Financial liabilities at fair value through profit or loss:	
Derivative financial instruments	**238,120**
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	**316,097**
	50,417,832

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2020

	RMB'000
Financial assets	
Financial assets at amortised cost:	
Loans and accounts receivables	54,195,411
Financial assets included in prepayments, other receivables and other assets	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

41. 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 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 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 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. For loans and accounts receivables with long-term remaining maturities, the applied interest rates approximate to prevailing market interest rates and their carrying values approximate to their fair value.

Bonds issued and Convertible bonds – host debts

The fair values of the bonds and convertible bonds – host debts are 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 and convertible bonds – host debts which are not presented at fair value on the statement of financial position as at 31 December 2021.

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

Financial instruments not measured at fair value (continued)

Bonds issued and Convertible bonds – host debts (continued)

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bonds issued	**14,807,554**	13,555,787	**14,883,502**	13,214,292
Convertible bonds – host debts	**882,689**	–	**896,206**	–
	15,690,243	13,555,787	**15,779,708**	13,214,292

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

Financial instruments measured at fair value

Interest rate swap contracts

The Group enters into several derivative financial instrument contracts with two counterparties. 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 two counterparties. 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.

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

Financial instruments measured at fair value (continued)

Financial assets at fair value through profit or loss

The valuations of the financial assets at fair value through profit or loss were based on information known to the Group and market conditions existing at the end of the reporting period. The fair values were determined by using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions, referring to the current market value of another instrument that is substantially the same and making as much use of available and supportable market data as possible.

Below is a summary of signif cant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

Description	Fair value at 31 December 2021	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	**366,470**	Adjusted recent transaction price	Volatility	The higher the volatility, the higher the fair value

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).

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

Fair value hierarchy (continued)

Assets and liabilities measured at fair value:

As at 31 December 2021

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	**366,470**	–	**366,470**
Derivative financial assets				
– Interest rate swap contracts	–	**6,915**	–	**6,915**
	–	**373,385**	–	**373,385**
Derivative financial liabilities				
– Forward currency contracts	–	**544,448**	–	**544,448**
– Interest rate swap contracts	–	**1,403**	–	**1,403**
– Cross-currency interest rate swaps	–	**8,366**	–	**8,366**
	–	**554,217**	–	**554,217**

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
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

41. 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 2021

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	**14,883,502**	**–**	**–**	**14,883,502**
Convertible bonds				
– host debts	**–**	**896,206**	**–**	**896,206**
	14,883,502	**896,206**	**–**	**15,779,708**

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

During the year ended 31 December 2021, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

42. 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 swap contracts, forward currency contracts, 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.

42. 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	
	2021	2020
	RMB'000	RMB'000
Change in basis points		
+100 basis points	**19,980**	131,546
– 100 basis points	**(19,980)**	(131,546)

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.

42. 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 18).

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.

42. 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	
		2021	2020
	%	**RMB'000**	RMB'000
Currency			
If RMB strengthens against USD/HKD	(1)	**(818)**	(808)
If RMB weakens against USD/HKD	1	**818**	808

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, financial assets at fair value through profit or loss, and financial assets included in 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.

42. 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 2021		As at 31 December 2020	
	RMB'000	**%**	RMB'000	%
Interest-earning assets				
Healthcare	**22,267,645**	**36**	28,971,620	53
Urban public utility	**36,433,511**	**60**	22,233,552	41
Others	**2,426,451**	**4**	3,445,050	6
	61,127,607	**100**	54,650,222	100
Less: loss allowance for impairment of interest-earning assets	**1,432,281**		1,126,057	
Net	**59,695,326**		53,524,165	

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.

42. 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 2021

	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	–	–	–	869,232	869,232
Notes receivables	759	–	–	–	759
Interest-earning assets	53,037,464	6,206,697	451,165	–	59,695,326
Financial assets included in prepayments, other receivables and other assets	314,883	–	–	–	314,883
Restricted deposits	954,862	–	–	–	954,862
Cash and cash equivalents	2,342,078	–	–	–	2,342,078
	56,650,046	6,206,697	451,165	869,232	64,177,140

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

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 cash	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

Note:

Among which, all the financial assets in stage 1 are credit rated as Pass.

As 31 December 2021, 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.

42. 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 2021					
	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	201,183	7,465,320	17,592,171	44,811,548	–	70,070,222
Financial assets included in prepayments, other receivables and other assets	–	1,747	184,993	135,592	–	322,332
Restricted deposits	–	956,340	–	–	–	956,340
Derivative financial assets	–	–	–	6,915	–	6,915
Financial assets at fair value through profit or loss	–	4,500	13,750	381,264	–	399,514
Cash and cash equivalents	2,348,545	–	–	–	–	2,348,545
Total financial assets	2,549,728	8,427,907	17,790,914	45,335,319	–	74,103,868
FINANCIAL LIABILITIES:						
Trade payables	–	1,106,515	5,468	–	–	1,111,983
Financial liabilities included In other payables and accruals	572,507	328,245	579,517	3,222,402	–	4,702,671
Derivative financial liabilities	–	240,114	106,455	207,648	–	554,217
Convertible bonds – host debts	–	9,564	9,564	949,634	–	968,762
Interest-bearing bank and other borrowings	–	3,184,622	12,884,665	29,803,148	5,878	45,878,313
Total financial liabilities	572,507	4,869,060	13,585,669	34,182,832	5,878	53,215,946

42. 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 2020					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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, other receivables and other assets	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

42. 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	
	2021	2020
	RMB'000	RMB'000
Credit commitments:		
Less than 3 months	**4,895,000**	490,000
3 to 12 months	**1,795,000**	78,952
	6,690,000	568,952

Interest rate benchmark reform

As at 31 December 2021, the Group had certain interest-bearing bank and other borrowings, interest rate swap contracts and cross-currency interest rate swaps denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of one month or three months, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate benchmark reform (continued)

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2021

	Non-derivative financial liabilities carrying value RMB'000	**Derivative instruments nominal amount RMB'000**
Interest-bearing bank and other borrowings		
– United States dollar LIBOR	**8,858,596**	**–**
Cross-currency interest rate swaps		
– United States dollar LIBOR	**–**	**592,573**
Interest rate swaps		
– United States dollar LIBOR	**–**	**753,927**
	8,858,596	**1,346,500**

As at 31 December 2020

	Non-derivative financial liabilities carrying value RMB'000	Derivative instruments nominal amount RMB'000
Interest-bearing bank and other borrowings		
– United States dollar LIBOR	6,652,074	–
Cross-currency interest rate swaps		
– United States dollar LIBOR	–	195,747
Interest rate swaps		
– United States dollar LIBOR	–	1,722,574
	6,652,074	1,918,321

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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	
	2021	2020
	RMB'000	RMB'000
Bank and other borrowings (Note 25)	**44,172,571**	39,981,341
Total equity	**17,623,255**	14,965,335
Gearing ratio	**2.51**	2.67

42. 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	
	2021	2020
	RMB'000	RMB'000
Total assets	**51,558,585**	49,577,640
Less: Cash and cash equivalents	**(1,006,440)**	(873,528)
Total Risk Assets	**50,552,145**	48,704,112
Equity	**11,321,425**	10,219,618
Ratio of Risk Assets to equity	**4.47**	4.77

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

TJ-Leasing

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total assets	**26,472,648**	21,705,669
Less: Cash and cash equivalents	**(498,150)**	(185,412)
Total Risk Assets	**25,974,498**	21,520,257
Equity	**4,376,324**	3,527,347
Ratio of Risk Assets to equity	**5.94**	6.10

43. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group enters into securitisation transactions in the normal course of business whereby it transfers loans and accounts receivables to special purpose entities. These special purpose entities are structured entities established with the narrow and well-defined objectives to provide investors opportunities to invest in those loans and accounts receivables and they generally finance the purchase of the loans and accounts receivables by issuing asset-backed securities to investors. The Group assessed and determined that those structured entities need not be consolidated as the Group has no control over them.

The Group may hold some subordinated tranches of those asset-backed securities and accordingly may retain portions of the risks and rewards of the transferred loans and accounts receivables. The Group would determine whether or not to derecognise the transferred loans and accounts receivables mainly by evaluating the extent to which it retains the risks and rewards of the transferred assets.

During the year ended 31 December 2021, the Group transferred an aggregate carrying amount of RMB1,632,000,000 of loans and accounts receivables to the unconsolidated structured entity, which qualified for full derecognition. Hence, the Group derecognised those assets.

43. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

The Group also transferred loans and accounts receivables to other unconsolidated structured entity, where the Group held some subordinated tranches and hence retained continuing involvement in the transferred assets (i.e. loans and accounts receivables amounting to RMB2,169,000,000 as at 31 December 2021). As a result, as at 31 December 2021, the balance of subordinated tranches of asset-backed securities held by the Group amounted to RMB148,750,000. The Group provided liquidity support amounting to RMB108,450,000 to the unconsolidated structured entity. In addition, the balances of continuing involvement in transferred assets and associated liabilities both amounted to RMB257,200,000, which approximate the maximum exposure to losses from its involvement in such securitisation arrangement and the unconsolidated structured entity.

During the year ended 31 December 2021, as a result of the securitisation transactions, the Group recognised losses of RMB942,000 from transfers of loans and accounts receivables.

44. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2021.

45. 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:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**378**	436
Prepayments, other receivables and other assets	**10,751,633**	4,878,145
Investments in subsidiaries	**6,579,357**	5,612,524
Right-of-use assets	**2,677**	465
Derivative financial instruments	**6,915**	–
Total non-current assets	**17,340,960**	10,491,570
CURRENT ASSETS		
Accounts receivables	**5,101**	3,633
Prepayments, other receivables and other assets	**1,142,134**	4,964,512
Dividends receivable from a subsidiary	**548,100**	–
Derivative financial instruments	**–**	9,173
Restricted deposits	**62,132**	86,450
Cash and cash equivalents	**222,924**	221,533
Total current assets	**1,980,391**	5,285,301
CURRENT LIABILITIES		
Trade payables	**89**	1,162
Other payables and accruals	**22,516**	12,673
Interest-bearing bank and other borrowings	**1,382,355**	5,961,775
Derivative financial instruments	**58,299**	35,124
Total current liabilities	**1,463,259**	6,010,734
NET CURRENT ASSETS/(LIABILITIES)	**517,132**	(725,433)
TOTAL ASSETS LESS CURRENT LIABILITIES	**17,858,092**	9,766,137

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**11,894,395**	4,953,509
Derivative financial instruments	**40,282**	2,611
Net assets	**5,923,415**	4,810,017
EQUITY		
Share capital	**5,297,254**	4,327,842
Reserves (note)	**626,161**	482,175
Total equity	**5,923,415**	4,810,017

Peng Jiahong
Director

Wang Wenbing
Director

45. 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 RMB'000	Total RMB'000
Balance at 1 January 2021	**33,302**	**(29,212)**	**472,287**	**5,798**	**482,175**
Profit for the year	**–**	**–**	**598,744**	**–**	**598,744**
Other comprehensive income for the year:					
Cash flow hedges, net of tax	**–**	**22,425**	**–**	**–**	**22,425**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**5,798**	**5,798**
Dividends	**–**	**–**	**(482,981)**	**–**	**(482,981)**
At 31 December 2021	**33,302**	**(6,787)**	**588,050**	**11,596**	**626,161**
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

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2022.

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