



# 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

## 2022

### INTERIM REPORT





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Chairwoman and Vice-chairman

Ms. Peng Jiahong (*Chairwoman*)  
Mr. Chan Kai Kong<sup>(1)</sup>  
(*Vice-chairman*)  
Mr. Zhao Yan<sup>(2)</sup>

### Executive Directors

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

### Non-executive Directors

Mr. Chan Kai Kong<sup>(1)</sup>  
Mr. Tong Chaoyin  
Mr. Xu Ming<sup>(1)</sup>  
Mr. Zhu Ziyang  
Mr. Zhao Yan<sup>(2)</sup>  
Mr. Che Lingyun<sup>(3)</sup>

### Independent Non-executive Directors

Mr. Li Yinquan  
Mr. Chow Siu Lui  
Mr. Xu Zhiming<sup>(1)</sup>  
Mr. Chan, Hiu Fung Nicholas<sup>(1)</sup>  
Mr. Han Demin<sup>(2)</sup>  
Mr. Liao Xinbo<sup>(2)</sup>

<sup>(1)</sup> Appointed with effect from 22 June 2022

<sup>(2)</sup> Resigned with effect from 22 June 2022

<sup>(3)</sup> Appointed with effect from 1 March 2022 and resigned with effect from 22 June 2022

## AUDIT COMMITTEE

Mr. Li Yinquan (*Chairman*)  
Mr. Chow Siu Lui  
Mr. Tong Chaoyin

## REMUNERATION COMMITTEE

Mr. Chow Siu Lui (*Chairman*)  
Mr. Chan Kai Kong<sup>(1)</sup>  
Mr. Xu Ming<sup>(1)</sup>  
Mr. Li Yinquan  
Mr. Xu Zhiming<sup>(1)</sup>  
Mr. Zhao Yan<sup>(2)</sup>  
Mr. Che Lingyun<sup>(3)</sup>  
Mr. Han Demin<sup>(2)</sup>

## NOMINATION COMMITTEE

Ms. Peng Jiahong (*Chairwoman*)  
Mr. Xu Ming<sup>(1)</sup>  
Mr. Li Yinquan  
Mr. Chow Siu Lui  
Mr. Chan, Hiu Fung Nicholas<sup>(1)</sup>  
Mr. Che Lingyun<sup>(3)</sup>  
Mr. Liao Xinbo<sup>(2)</sup>

## STRATEGY COMMITTEE

Ms. Peng Jiahong (*Chairwoman*)  
Mr. Chan Kai Kong<sup>(1)</sup>  
Mr. Zhu Ziyang  
Mr. Zhao Yan<sup>(2)</sup>

## RISK CONTROL COMMITTEE

Mr. Zhu Ziyang (*Chairman*)  
Mr. Wang Wenbing  
Mr. Tong Chaoyin

## 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

Cooley HK

## PRINCIPAL BANKERS

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

## COMPANY'S WEBSITE

[www.umcare.cn](http://www.umcare.cn)

## STOCK CODE

2666

## DEFINITION

“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 Company’s articles of association
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“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
“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諮詢服務有限公司), 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
“Cooperation Agreement”	an agreement entered into between the Company and the First Affiliated Hospital of Xi’an Jiaotong University (西安交通大學第一附屬醫院) on 30 August 2016 in relation to the project to construct International Land Port Hospital (國際陸港醫院)
“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 with limited liability under the laws of the British Virgin Islands on 14 August 2014
“Group”, “we” or “us”	the Company and its subsidiaries

## DEFINITION

“GT-HK”	Genertec Hong Kong International Capital Limited (通用技術集團香港國際資本有限公司), a company incorporated with limited liability under the laws of Hong Kong on 24 March 1994, an indirect wholly-owned subsidiary of GT-PRC, and one of the controlling shareholders of the Company
“GT-PRC”	China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), a state-owned enterprise under the direct administration of the PRC central government, and one of the controlling shareholders of the Company
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“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
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Securities Dealing Code”	the Company’s own code of conduct regarding directors’ and employees’ dealings in the Company’s securities
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 31 December 2019
“SOE”	State-owned enterprise
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD” or “US\$”	United States dollars, the lawful currency of the United States



## COMPANY PROFILE

Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) (“Universal Medical”) is 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.

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 finance 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 put 63 medical institutions under management 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 29 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.

# PERFORMANCE OVERVIEW

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Operating Results</b>		
<b>Income*<sup>1</sup></b>	<b>5,712,259</b>	5,007,536
Finance and advisory business income* <sup>2</sup>	<b>2,987,761</b>	2,889,132
Hospital group business income* <sup>2</sup>	<b>2,724,946</b>	2,118,404
<b>Cost of sales</b>	<b>(3,331,598)</b>	(2,643,912)
Cost of finance and advisory business* <sup>2</sup>	<b>(1,026,493)</b>	(862,661)
Cost of hospital group business* <sup>2</sup>	<b>(2,391,202)</b>	(1,847,177)
<b>Profit before tax</b>	<b>1,504,802</b>	1,475,514
<b>Profit for the period</b>	<b>1,176,360</b>	1,125,523
Profit for the period attributable to owners of the parent	<b>1,089,365</b>	1,049,956
Basic earnings per share (RMB)	<b>0.58</b>	0.57
Diluted earnings per share (RMB)* <sup>3</sup>	<b>0.53</b>	0.53
<b>Profitability Indicators</b>		
Return on total assets <sup>(1)</sup>	<b>3.20%</b>	3.43%
Return on equity <sup>(2)</sup>	<b>16.51%</b>	18.15%
Net interest margin <sup>(3)</sup>	<b>4.16%</b>	4.88%
Net interest spread <sup>(4)</sup>	<b>3.75%</b>	4.38%

\*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 period/average balance of assets at the beginning and end of the period, presented on an annualised basis;

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

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



## PERFORMANCE OVERVIEW

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Assets and Liabilities</b>		
Total assets	<b>77,155,704</b>	69,899,801
Net interest-earning assets	<b>65,804,752</b>	61,127,607
Total liabilities	<b>58,882,890</b>	52,276,546
Interest-bearing bank and other borrowings	<b>49,491,463</b>	44,172,571
Total equity	<b>18,272,814</b>	17,623,255
Equity attributable to owners of the parent	<b>13,291,124</b>	13,103,989
Net assets per share (RMB)	<b>7.03</b>	7.05
<b>Financial Indicators</b>		
Debt ratio <sup>(1)</sup>	<b>76.32%</b>	74.79%
Gearing ratio <sup>(2)</sup>	<b>2.71</b>	2.51
Current ratio <sup>(3)</sup>	<b>1.28</b>	1.33
<b>Asset Quality</b>		
Non-performing assets ratio <sup>(4)</sup>	<b>0.98%</b>	0.98%
Provision coverage ratio <sup>(5)</sup>	<b>242.96%</b>	238.29%
Write-off of non-performing assets ratio <sup>(6)</sup>	<b>0.00%</b>	0.00%
Ratio of overdue interest-earning assets (over 30 days) <sup>(7)</sup>	<b>0.82%</b>	0.76%

(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

As a conglomerate controlled by a central enterprise and focusing on healthcare industry, as of 30 June 2022, Universal Medical (i) consolidated the accounts of and operated a large group of state-owned hospitals consisting of 51 medical institutions, and provided supply chain management, medical equipment related medical services integrating production, learning, research and marketing, life cycle management of medical equipment, medical testing, 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 the first half of 2022, being affected by the complex and ever-changing international political and economic circumstances and faced with the frequent outbreaks of covid-19 pandemic across the country, the forecasts of China's growth in economy remained uncertain. Facing with various unexpected factors emerged during the first half of 2022, while making unwavering efforts to lead the subordinate medical institutions in our proactive commitment to fighting against the pandemic, the Group adhered to its established business strategies by continuing to move forward in the field of medical and healthcare, and steadily promoted our business and improved our overall operating performance. In the first half of 2022, the Group recorded a revenue of RMB5,712.3 million, representing an increase of 14.1% as compared to the corresponding period of the previous year; recorded a net profit of RMB1,176.4 million, representing an increase of 4.5% as compared to the corresponding period of the previous year; recorded a net profit attributable to owners of the parent of RMB1,089.4 million, representing an increase of 3.8% as compared to the corresponding period of the previous year; recorded return on total assets (ROA) of 3.20%, and return on equity (ROE) attributable to owners of the parent of 16.51%; and recorded total assets of RMB77,155.7 million as of 30 June 2022, representing an increase of 10.4% as compared to the end of 2021. The indicators of income maintained a steady performance and the asset quality was generally safe and controllable.

### 1.1 Hospital Group Business

Hospital group is the essential resources of building a healthcare conglomerate. Having been actively participating in integration and takeover of medical institutions of SOEs since 2017, we continued to expand our hospital group business, and orderly advanced our post-investment management to better accommodate the needs for pandemic control of SOE-owned hospitals. We also continuously enhanced the three core capabilities of "discipline", "operation" and "service", with an aim to build overall advantages of the hospital group in terms of safety, effectiveness, accessibility, and humanities as a way to promote high-quality development of hospitals of SOEs. Moreover, relying on the development foundation of the hospital group, we expanded business layout in various fields including discipline operation, life cycle management of medical equipment, medical testing, Internet-based healthcare services, health and wellness and insurance, and actively expanded external customers while efficiently serving the Group's member hospitals to gradually lay a foundation for development in scale.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, the Group consolidated the accounts of six additional medical institutions with a capacity of 2,507 beds in total; and the number of consolidated medical institutions as at 30 June 2022 increased to 51 (including 4 Grade III Class A hospitals and 25 Grade II hospitals), with actual capacity of 12,850 beds in total. The number of beds of medical institutions that have been contracted but not yet consolidated was over 2,500. The planned number of newly built beds exceeded 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 30 June 2022***

Province	Grade III hospitals	Grade II hospitals	Others (note)	Total
Shaanxi	1	7	8	16
Shanxi	1	4	4	9
Liaoning	1	1	1	3
Anhui	1	2	5	8
Shandong	–	1	–	1
Hebei	–	5	1	6
Sichuan	–	3	1	4
Zhejiang	–	–	1	1
Hunan	–	1	–	1
Jiangsu	–	1	–	1
Beijing	–	–	1	1
<b>Total</b>	<b>4</b>	<b>25</b>	<b>22</b>	<b>51</b>

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

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 the first half of 2022, facing with the frequent outbreaks and pandemic rebound in certain cities, our medical institutions made proactive response to the relevant requirements of the government regarding pandemic prevention and control by undertaking a great number of nucleic acid testing and vaccination tasks. Under the temporary operation pressure of staff shortage and increasing costs for pandemic prevention and control, the Group maintained overall stable profitability in the first half of 2022 through measures such as increasing volunteer medical consultation and featured services to boost business volume and reinforce refined operation.

## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of consolidated revenue, in the first half of 2022, the hospital group business (excluding hospital investment platforms) recorded revenue of RMB2,721.1 million during the consolidation period, representing an increase of 28.4% as compared to the corresponding period of the previous year, mainly due to the consolidation of additional medical institutions during the period, and recorded profit for the period of RMB112.6 million, representing an increase of 13.7% as compared to the corresponding period of the previous year. The gross profit margin from operations was 12.1%, and net profit margin was 4.1%.

In terms of operations, in the first half of 2022, the total number of medical treatments in the 51 consolidated medical institutions of the Group was approximately 5,446,000, representing an increase of approximately 52.2% as compared to the corresponding period of the previous year. The number of outpatient and emergency visits amounted to approximately 4,951,000, representing an increase of approximately 57.1% as compared to the corresponding period of 2021, which was mainly attributable to the significant increase in the outpatient visits for nucleic acid test during the first half of 2022. Without taking into account of the impact of nucleic acid visits, the number of outpatient and emergency visits still outperformed that of the corresponding period of the previous year by approximately 6%. The number of inpatient visits based on discharges amounted to approximately 160,000, remaining basically in line with that of the corresponding period of 2021, which was mainly due to the frequent outbreaks of covid-19 pandemic across the country during the first half of 2022. Meanwhile, with the continuous expansion of the medical examination business operated by our medical institutions, the number of visits for medical examination reached approximately 495,000 in the first half of 2022, representing an increase of approximately 15.9% as compared to the corresponding period of 2021. The revenue of hospital operation of the 51 consolidated medical institutions for the first half of 2022 reached RMB2,694.9 million in total, representing an increase of approximately 8.8% as compared to the corresponding period of the previous year, and the overall income per bed of the consolidated medical institutions was approximately RMB420,000 on an annualised basis.

The operating performance of the 51 consolidated medical institutions for the relevant periods are as follows:

## MANAGEMENT DISCUSSION AND ANALYSIS

### For the first half of 2022

Category	Visits in the first half of 2022			Medical business income in the first half of 2022 (RMB ten thousand)					Average index		
	Capacity	Outpatient and emergency visits	Inpatient based on discharge	Visits for medical examination	Income from outpatient and emergency treatment	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	3,847	1,826,004	61,088	62,710	43,389	71,334	3,120	118,011	61	238	11,677
Grade II	7,507	2,787,467	91,901	393,850	55,057	71,682	4,889	131,878	35	198	7,800
Others (note)	1,496	337,422	7,104	38,636	14,448	2,972	341	19,599	26	428	4,184
<b>Total</b>	<b>12,850</b>	<b>4,950,893</b>	<b>160,093</b>	<b>495,196</b>	<b>112,894</b>	<b>145,988</b>	<b>8,350</b>	<b>269,488</b>	<b>42</b>	<b>228</b>	<b>9,119</b>

### For the first half of 2021

Category	Visits in the first half of 2021			Medical business income in the first half of 2021 (RMB ten thousand)					Average index		
	Capacity	Outpatient and emergency visits	Inpatient based on discharge	Visits for medical examination	Income from outpatient and emergency treatment	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	3,877	1,264,794	62,099	63,732	38,985	73,313	1,941	114,477	59	308	11,806
Grade II	7,568	1,512,889	91,643	322,915	37,756	73,425	4,203	115,655	31	250	8,012
Others (note)	1,495	374,322	7,179	40,687	11,801	3,664	442	17,543	23	315	5,104
<b>Total</b>	<b>12,940</b>	<b>3,152,005</b>	<b>160,921</b>	<b>427,334</b>	<b>88,542</b>	<b>150,402</b>	<b>6,586</b>	<b>247,675</b>	<b>38</b>	<b>281</b>	<b>9,346</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### For the first half of 2020

Category	Visits in the first half of 2020				Medical business income in the first half of 2020 (RMB ten thousand)				Average index		
	Capacity	Outpatient and emergency visits	Inpatient based on discharge	Visits for medical examination	Income from outpatient and emergency treatment	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	3,901	927,927	51,860	47,949	31,799	63,331	1,678	96,819	50	343	12,212
Grade II	7,599	1,084,354	78,387	152,030	30,143	62,247	2,709	95,943	25	278	7,941
Others (note)	1,443	305,521	6,372	28,763	10,583	3,015	207	15,268	21	346	4,732
<b>Total</b>	<b>12,943</b>	<b>2,317,802</b>	<b>136,619</b>	<b>228,742</b>	<b>72,525</b>	<b>128,593</b>	<b>4,594</b>	<b>208,030</b>	<b>32</b>	<b>313</b>	<b>9,413</b>

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

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. Given the market competition landscape against the backdrop of ongoing pandemic and the implementation of a series of government-led industry reforms such as medical insurance cost control and centralised procurement of medical consumables, it puts the medical institutions in China on track to pursue high-quality development featured with refined management. Following the integration and takeover of medical institutions of SOEs since 2017, we continued to empower the development of the hospitals and took active and effective measures in response to external factors such as the pandemic and reforms. In the future, in order to serve the national healthcare initiative and in the trend of high-quality development of the medical industry, we will give full play to the competition advantages of central state-owned enterprises in running medical care by reinforcing group management and control and upgrading professional operation, further improving the operating efficiency of medical institutions.

Meanwhile, by fostering hospital group, we will also further build replicable advantages in terms of hospital operation management, life cycle management of medical equipment, supply chain management, infrastructure management and digital services, expand the market presence in addition to the health conglomerate and cultivate the new service mode featured with the integration of industry and finance, so as to promote quality and efficiency enhancement for external hospital customers and create new growth drivers for the Company.

### 1.2 Finance and Advisory Business

The Group strives to build an innovative, high-quality and efficient finance service model, providing a solid foundation to achieve high-quality development of a central state-owned listed enterprise. The Group's financial business mainly focuses on finance leasing business, and centered on further exploration and development in the fields such as public hospitals and urban public utility based on the development prospect, profitability, revenue/risk profile, cashflow stability of the industry and other criteria.

In recent years, due to the impact of factors such as slowdown in macro-economic growth and easing of financing policies, the finance leasing industry in China has gradually entered into the plateau phase, leading to further intensified competition for quality customer groups among the financial and quasi-financial institutions. In order to further regulate the development of the industry, a series of regulation policies have been promulgated, which set out more stringent requirements for risk control and compliance management capability of finance leasing enterprises. In the first half of 2022, we strived to overcome the impact of ongoing pandemic in Beijing and the provinces where our customers are located. With risk control as a top priority, we were committed to ensuring quality project development for our customers, with an aim to ensure safe and healthy development of the finance business. By keeping abreast of the market changes, we strived to control financing costs with a flexible approach to meet investment capital requirements. In the first half of 2022, the finance and advisory business of the Group recorded a revenue of RMB2,987.8 million in total, representing an increase of 3.4% as compared to the corresponding period of the previous year, of which the interest income amounted to RMB2,391.1 million, representing an increase of 5.7% as compared to the corresponding period of the previous year. All business indicators continued to maintain a good level. The average yield of interest-earning assets was 7.46% and the average cost rate of interest-bearing liabilities was 3.71%, while the net interest margin was 3.75% and the net interest spread was 4.16%.

While our finance business continued to expand steadily, the Group continued to optimise the dynamic management of pre-rental, rental, and post-rental process, and enhanced accountability to ensure its asset quality remaining at an industry-leading level. As of 30 June 2022, our net interest-earning assets reached RMB65,804.8 million, representing an increase of 7.7% as compared to the end of 2021; the non-performing asset ratio was 0.98%; the overdue ratio (30 days) was 0.82%, and the provision coverage ratio was 242.96%.

We believe that, against the backdrop of accelerated implementation of the new urbanisation initiative by the government, urban public utility entities predominated by state-owned enterprises would continue to play an important role, and the total scale of incremental funds would remain substantial. With the increased efforts in the construction of public hospital system by local governments during the “14th Five Year” period, Grade II and above public hospitals with solid credit history and stable operation will also be faced with dual requirements for “Capital + Comprehensive Operation Management Services”. While keeping a controllable risk profile, the Group will continue to facilitate steady development of the finance leasing business in the fields of public hospitals and urban public utility. Leveraging on the core businesses of the central state-owned group and in an active response to the national policies, the Group will continue to foster and expand innovative businesses. The Group will give full play to the finance business to empower the development of the medical care industry, and create a new business model featured with the integration of industry and finance, so as to lay a solid foundation for the high-quality development of a central state-owned and listed enterprise and achieve a leapfrog growth in the operating results.

## 2. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

### 2.1 Overview

In the first half of 2022, facing with the impact of various unexpected external factors, while making unwavering efforts to implement the national initiatives of pandemic prevention and control and lead the subordinate medical institutions in our proactive commitment to fighting against the pandemic, the Group adhered to its established business strategies by continuing to move forward in the field of medical and healthcare, and steadily promoted our business and improved our overall operating performance. The Group recorded a revenue of RMB5,712.3 million in total, representing an increase of 14.1% as compared to the corresponding period of the previous year. Profit before tax was RMB1,504.8 million, representing an increase of 2.0% as compared to the corresponding period of the previous year. Profit for the period attributable to owners of the parent was RMB1,089.4 million, representing an increase of 3.8% as compared to the corresponding period of the previous year.



## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's statement of profit or loss for the six months ended 30 June 2022:

	For the six months ended		Change %
	30 June		
	2022	2021	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
<b>Revenue</b>	<b>5,712,259</b>	5,007,536	14.1%
Cost of sales	<b>(3,331,598)</b>	(2,643,912)	26.0%
<b>Gross profit</b>	<b>2,380,661</b>	2,363,624	0.7%
Other income and gains	<b>240,613</b>	83,266	189.0%
Selling and distribution costs	<b>(225,793)</b>	(260,680)	-13.4%
Administrative expenses	<b>(440,686)</b>	(380,016)	16.0%
Impairment of financial assets	<b>(137,588)</b>	(171,730)	-19.9%
Loss on derecognition of financial assets measured at amortised cost	<b>(17)</b>	–	-100%
Financial costs	<b>(13,768)</b>	(13,037)	5.6%
Other expenses	<b>(304,460)</b>	(153,047)	98.9%
Share of (loss)/profit of an associate	<b>(90)</b>	131	-168.7%
Share of profit of a joint venture	<b>5,930</b>	7,003	-15.3%
<b>Profit before tax</b>	<b>1,504,802</b>	1,475,514	2.0%
Income tax expense	<b>(328,442)</b>	(349,991)	-6.2%
<b>Profit for the period</b>	<b>1,176,360</b>	1,125,523	4.5%
<b>Profit for the period attributable to owners of the parent</b>	<b>1,089,365</b>	1,049,956	3.8%
Basic earnings per share (RMB)	<b>0.58</b>	0.57	0.2%
Diluted earnings per share (RMB)	<b>0.53</b>	0.53	1.1%

## 2.2 Analysis of Business Revenue

In the first half of 2022, the Group recorded revenue of RMB5,712.3 million, among which finance and advisory business recorded revenue of RMB2,987.8 million, representing an increase of 3.4% as compared to the corresponding period of the previous year and accounting for 52.3% of total revenue, and hospital group business recorded revenue of RMB2,724.9 million, representing an increase of 28.6% as compared to the corresponding period of the previous year and accounting for 47.7% of total revenue. The Group recorded gross profit from operations of RMB2,380.7 million, among which finance and advisory business recorded gross profit from operations of RMB1,961.3 million, representing a decrease of 3.2% as compared to the corresponding period of the previous year, while hospital group business recorded gross profit from operations of RMB333.7 million, representing an increase of 23.0% as compared to the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2022		2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Finance and advisory business	2,987,761	52.3%	2,889,132	57.7%	3.4%
Hospital group business	2,724,946	47.7%	2,118,404	42.3%	28.6%
Offset	(448)	0.0%	–	–	-100.0%
<b>Total</b>	<b>5,712,259</b>	<b>100.0%</b>	<b>5,007,536</b>	<b>100.0%</b>	<b>14.1%</b>

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

	For the six months ended 30 June				
	2022		2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Finance and advisory business	1,961,268	82.4%	2,026,471	85.7%	-3.2%
Hospital group business	333,744	14.0%	271,227	11.5%	23.0%
Offset	85,649	3.6%	65,926	2.8%	29.9%
<b>Total</b>	<b>2,380,661</b>	<b>100.0%</b>	<b>2,363,624</b>	<b>100.0%</b>	<b>0.7%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 the first half of 2022, the finance and advisory business recorded a revenue of RMB2,987.8 million, representing an increase of 3.4% as compared to the corresponding period of the previous year, and gross profit of RMB1,961.3 million, representing a decrease of 3.2% as compared to the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2022		2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
<b>Finance and advisory business income</b>	<b>2,987,761</b>		2,889,132		
Including:					
Finance service	<b>2,391,131</b>	<b>80.0%</b>	2,262,005	78.3%	5.7%
Advisory service	<b>596,535</b>	<b>20.0%</b>	627,110	21.7%	-4.9%

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

	For the six months ended 30 June				
	2022		2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
<b>Gross profit from finance and advisory business</b>	<b>1,961,268</b>		2,026,471		
Including:					
Finance service	<b>1,364,141</b>	<b>69.6%</b>	1,399,344	69.1%	-2.5%
Advisory service	<b>596,535</b>	<b>30.4%</b>	627,110	30.9%	-4.9%

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 the first half of 2022, we made great efforts to overcome the continuous impact of the pandemic in Beijing and the provinces where our customers are located. With risk control as a top priority, we were committed to ensuring quality project development for our customers, with an aim to ensure the safe and healthy development of the financial business. By keeping abreast of the market changes, we controlled the financing cost in a flexible manner to meet capital investment requirements, so as to steadily advance the finance business. The Group recorded interest income of RMB2,391.1 million, representing an increase of 5.7% as compared to the corresponding period of the previous year, and our gross profit amounted to RMB1,364.1 million, representing a decrease of 2.5% as compared to the corresponding period of the previous year, which was mainly due to a slowdown in the interest growth as affected by a decrease in the average yield of interest-earning assets.

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

	For the six months ended 30 June				
	2022		2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Healthcare	809,008	33.8%	1,048,810	46.4%	-22.9%
Urban public utility	1,505,708	63.0%	1,064,695	47.1%	41.4%
Other	76,415	3.2%	148,500	6.5%	-48.5%
<b>Total</b>	<b>2,391,131</b>	<b>100.0%</b>	<b>2,262,005</b>	<b>100.0%</b>	<b>5.7%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the indicators of the Group's income from finance service business:

	30 June 2022			30 June 2021		
	Average balance RMB'000 (Unaudited)	Interest income <sup>(1)</sup> / expense <sup>(2)</sup> RMB'000 (Unaudited)	Average yield <sup>(3)</sup> / cost rate <sup>(4)</sup>	Average balance RMB'000 (Unaudited)	Interest income <sup>(1)</sup> / expense <sup>(2)</sup> RMB'000 (Unaudited)	Average yield <sup>(3)</sup> / cost rate <sup>(4)</sup>
Interest-earning assets	<b>64,926,912</b>	<b>2,401,449</b>	<b>7.46%</b>	55,619,782	2,268,522	8.22%
Interest-bearing liabilities	<b>57,843,253</b>	<b>1,062,824</b>	<b>3.71%</b>	48,511,697	923,843	3.84%
Net interest margin <sup>(5)</sup>			<b>4.16%</b>			4.88%
Net interest spread <sup>(6)</sup>			<b>3.75%</b>			4.38%

- (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, presented on an annualised basis;
- (4) Average cost rate = interest expense/average balance of interest-bearing liabilities, taking into account the effect of perpetual bond, presented on an annualised basis;
- (5) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets, presented on an annualised basis; and
- (6) Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, the Group's net interest spread of finance service business was 3.75%, representing a decrease of 0.63 percentage point from 4.38% in the corresponding period of the previous year. 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 the first half of 2022, the average yield of interest-earning assets was 7.46%, representing a decrease of 0.76 percentage point from 8.22% in the same period of the previous year. With the slowdown in macro-economic growth, the easing of financing policies and the further improvement of the industry's regulatory system in recent years, we experienced intensified market competition for high-quality customer groups. In the first half of 2022, the scale of the Group's interest-earning assets recorded a solid growth as compared to the corresponding period of the previous year. However, as the pre-pandemic projects with a high yield rate have reached the maturity date and the Group was committed to securing quality customers with a top priority for risk control during the pandemic, the average yield of the interest-earning assets for the first half of 2022 showed an overall decrease as compared to the corresponding period of the previous year.
- (2) In the first half of 2022, the average cost rate of interest-bearing liabilities of the Group was 3.71%, representing a decrease of 0.13 percentage point from 3.84% in the corresponding period of 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. As contracts of high-cost financing projects expired, the proportion of new financing with lower cost increased, which drove down the Group's average cost rate of interest-bearing liabilities in the first half of 2022. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 the first half of 2022, the Group slowed its pace in new business development to some extent due to temporary difficulties in business travel across regions as affected by the ongoing pandemic in Beijing and the provinces where our customers have been located. As such, the Group recorded a gross profit from advisory services of RMB596.5 million, representing a decrease of 4.9% year-on-year.

### 2.2.2 Hospital group business

The Group's hospital group business includes integrated healthcare services and supply chain business, etc. In the first half of 2022, the hospital group business recorded income of RMB2,724.9 million, representing an increase of RMB606.5 million or 28.6% as compared to the corresponding period of the previous year, and recorded gross profit of RMB333.7 million, representing an increase of RMB62.5 million or 23.0% as compared to the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2022		2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
<b>Hospital group business</b>					
Income from integrated healthcare services	<b>2,585,106</b>	<b>94.9%</b>	1,985,515	93.7%	30.2%
Income from supply chain business, etc.	<b>419,697</b>	<b>15.4%</b>	390,490	18.4%	7.5%
Offset	<b>(279,857)</b>	<b>-10.3%</b>	(257,601)	-12.1%	8.6%
<b>Total</b>	<b>2,724,946</b>	<b>100.0%</b>	2,118,404	100.0%	28.6%

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended 30 June				
	2022		2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
<b>Hospital group business</b>					
Gross profit from integrated healthcare services	<b>269,708</b>	<b>80.8%</b>	211,582	78.0%	27.5%
Gross profit from supply chain business, etc.	<b>65,354</b>	<b>19.6%</b>	60,050	22.1%	8.8%
Offset	<b>(1,318)</b>	<b>-0.4%</b>	(405)	-0.1%	225.4%
<b>Total</b>	<b>333,744</b>	<b>100.0%</b>	271,227	100.0%	23.0%

### 2.2.2.1 Integrated healthcare services

Revenue from the Group's integrated healthcare services comes from the integrated healthcare services provided by the consolidated medical institutions. Revenue from integrated healthcare services mainly includes revenue generated from the healthcare services, examination, medicine and hygiene materials, physical examination and other services provided 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 the first half of 2022, the Group recorded revenue from integrated healthcare services of RMB2,585.1 million, representing an increase of RMB599.6 million or 30.2% as compared to the corresponding period of the previous year; gross profit from integrated healthcare services of RMB269.7 million, representing an increase of RMB58.1 million or 27.5% as compared to the corresponding period of the previous year. Having been actively participating in integration and takeover of medical institutions of SOEs since 2017, the Group gradually expanded our hospital group business. As of 30 June 2022, the Group had 51 consolidated medical institutions, representing an increase of 10 consolidated medical institutions as compared to the corresponding period of the previous year. The increase in the number of medical institutions was the main reason for the substantial increase in the revenue and gross profit of the hospital group business. 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.



### *2.2.2 Supply chain business, etc.*

The hospital supply chain business mainly provides supply chain distribution services for hospitals within and out of the Group, as well as a small amount of medical device sales and other businesses. As our internal and external businesses expanded, in the first half of 2022, the Group recorded a revenue of RMB419.7 million, representing an increase of RMB29.2 million or 7.5% as compared to the corresponding period of the previous year; and gross profit of RMB65.4 million, representing an increase of RMB5.3 million or 8.8% as compared to the corresponding period of the previous year.

### **2.2.3 Operating cost**

In the first half of 2022, the Group's sales and distribution costs amounted to RMB225.8 million, representing a decrease of 13.4% as compared to the corresponding period of the previous year, mainly due to the decrease in labor costs and business travel expenses as a result of the temporary difficulties in business travel across regions during the pandemic prevention and control period.

Administrative expenses amounted to RMB440.7 million, representing an increase of 16.0% as compared to the corresponding period of the previous year, which was mainly due to the increase in labor costs and the hospitals newly acquired by the Group. Administrative expenses from finance and advisory business amounted to RMB202.9 million, accounting for 46.0% of the total administrative expenses, representing an increase of 4.4% as compared to the corresponding period of the previous year. Administrative expenses from hospital group business amounted to RMB237.8 million, accounting for 54.0% of the total administrative expenses, representing an increase of 28.1% as compared to the corresponding period of the previous year.

### **2.2.4 Profit before tax**

In the first half of 2022, the Group recorded profit before tax of RMB1,504.8 million, representing an increase of RMB29.3 million or 2.0% as compared to the corresponding period of the previous year.

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

In the first half of 2022, the Group recorded profit for the period attributable to owners of the parent of RMB1,089.4 million, representing an increase of RMB39.4 million or 3.8% as compared to the corresponding period of the previous year.

**2.2.6 Revenue from hospital group operation**

As of 30 June 2022, the Group had completed the acquisition of 51 medical institutions as compared to 41 medical institutions as of 30 June 2021.

In the first half of 2022, the medical institutions of the Group (excluding the medical institution investment platforms) recorded revenue of RMB2,721.1 million during the consolidation period, representing an increase of RMB602.1 million or 28.4% as compared to the corresponding period of the previous year; recorded profit for the period of RMB112.6 million, representing an increase of RMB13.5 million or 13.7% as compared to the corresponding period of the previous year. The gross profit margin from operations was 12.1%, representing a decrease of 0.7 percentage point from 12.8% in the corresponding period of the previous year; and the net profit margin was 4.1%, representing a decrease of 0.6 percentage point from 4.7% in the corresponding period of the previous year. In the first half of 2022, facing with the frequent outbreaks and pandemic rebound in certain cities, our medical institutions made proactive response to the relevant requirements of the government regarding pandemic prevention and control by undertaking a great number of nucleic acid testing and vaccination tasks. Under the temporary operation pressure of staff shortage and increasing costs for pandemic prevention and control, the Group maintained overall stable profitability through measures such as increasing volunteer medical consultation and featured services to boost business volume and reinforce refined operation.

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

	For the six months ended 30 June		Change %
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	
<b>Revenue</b>	<b>2,721,118</b>	2,119,062	28.4%
Costs	<b>(2,391,202)</b>	(1,847,177)	29.5%
<b>Gross profit</b>	<b>329,916</b>	271,885	21.3%
Other income and gains	<b>58,899</b>	45,824	28.5%
Selling and distribution costs	<b>(16,663)</b>	(15,274)	9.1%
Administrative expenses	<b>(237,060)</b>	(185,114)	28.1%
Impairment on financial assets	<b>(572)</b>	(1,724)	-66.8%
Other expenses	<b>(2,885)</b>	(2,484)	16.1%
Share of (loss)/profit of an associate	<b>(90)</b>	131	-168.7%
Financial costs	<b>(7,790)</b>	(4,877)	59.7%
<b>Profit before tax</b>	<b>123,755</b>	108,367	14.2%
Income tax expense	<b>(11,174)</b>	(9,310)	20.0%
<b>Profit for the period</b>	<b>112,581</b>	99,057	13.7%

### 3. FINANCIAL POSITION ANALYSIS

#### 3.1 Overview of Assets

As at 30 June 2022, the Group's total assets was RMB77,155.7 million, representing an increase of 10.4% as compared to the end of the previous year. In particular, our restricted deposits was RMB939.2 million, representing a decrease of 1.6% as compared to the end of the previous year, accounting for 1.2% of the total assets; our cash and cash equivalents was RMB3,679.6 million, representing an increase of 57.1% as compared to the end of the previous year, accounting for 4.8% of the total assets; our loans and accounts receivables was RMB65,443.5 million, representing an increase of 8.1% as compared to the end of the previous year, accounting for 84.8% of the total assets.

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

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Restricted deposits	939,228	1.2%	954,862	1.4%	-1.6%
Cash and cash equivalents	3,679,646	4.8%	2,342,078	3.4%	57.1%
Inventories	311,173	0.4%	265,427	0.4%	17.2%
Loans and accounts receivables	65,443,530	84.8%	60,565,317	86.6%	8.1%
Prepayments, other receivables and other assets	1,010,962	1.3%	890,892	1.3%	13.5%
Property, plant and equipment	3,049,771	4.0%	2,523,269	3.6%	20.9%
Other intangible assets	70,722	0.1%	46,183	0.1%	53.1%
Investment in a joint venture	478,676	0.6%	476,015	0.7%	0.6%
Investment in an associate	4,096	0.0%	4,284	0.0%	-4.4%
Deferred tax assets	664,494	0.9%	561,184	0.8%	18.4%
Derivative financial assets	205,944	0.3%	6,915	0.0%	2878.2%
Right-of-use assets	946,174	1.2%	794,652	1.1%	19.1%
Goodwill	102,253	0.1%	102,253	0.1%	0.0%
Financial assets at fair value through profit or loss	249,035	0.3%	366,470	0.5%	-32.0%
<b>Total</b>	<b>77,155,704</b>	<b>100.0%</b>	<b>69,899,801</b>	<b>100.0%</b>	<b>10.4%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Finance and advisory business	69,960,171	90.7%	63,844,047	91.3%	9.6%
Hospital group business	11,568,707	15.0%	8,937,442	12.8%	29.4%
Inter-segment offset	(4,373,174)	-5.7%	(2,881,688)	-4.1%	51.8%
<b>Total</b>	<b>77,155,704</b>	<b>100.0%</b>	<b>69,899,801</b>	<b>100.0%</b>	<b>10.4%</b>

### 3.1.1 Restricted deposits

As at 30 June 2022, the Group had restricted deposits of RMB939.2 million, representing a decrease of 1.6% as compared to the end of the previous year, and accounting for 1.2% of total assets. Restricted deposits mainly comprised pledged project refunds from factoring business, time deposits and financing deposits.

### 3.1.2 Cash and cash equivalents

As at 30 June 2022, the Group had cash and cash equivalents of RMB3,679.6 million, representing an increase of 57.1% as compared to the end of the previous year, accounting for 4.8% 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 30 June 2022, the balance of the Group's loans and accounts receivables was RMB65,443.5 million, representing an increase of 8.1% as compared to the end of the previous year. The net interest-earning assets was RMB64,235.5 million, accounting for 98.2% of the loans and accounts receivables; and net accounts receivables was RMB1,206.6 million, accounting for 1.8% of the loans and accounts receivables.

#### 3.1.3.1 Interest-earning assets

In the first half of 2022, the Group strengthened its risk management and control in a more prudent manner, and expanded the lease business with caution while ensuring asset security. As at 30 June 2022, the Group's net interest-earning assets was RMB65,804.8 million, representing an increase of 7.7% as compared to the end of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Net interest-earning assets by industry

In the first half of 2022, the Group continued to lay emphasis on adjustment to interest-earning assets structure and risk prevention and control. The Group focused on further exploration and development in the fields such as public hospitals and urban public utility based on the development prospect, profitability, revenue/risk profile, cashflow stability of the industry and other criteria, and on the basis of effective control of risks, it actively explored finance lease business in new sectors.

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

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Healthcare	20,341,773	30.9%	22,267,645	36.4%	-8.6%
Urban public utility	42,549,686	64.7%	36,433,511	59.6%	16.8%
Others	2,913,293	4.4%	2,426,451	4.0%	20.1%
<b>Net interest-earning assets</b>	<b>65,804,752</b>	<b>100.0%</b>	61,127,607	100.0%	7.7%
<b>Less: Provision for asset impairment</b>	<b>(1,569,296)</b>		(1,432,281)		9.6%
<b>Net value of interest-earning assets</b>	<b>64,235,456</b>		59,695,326		7.6%

### 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 30 June 2022, the maturity profile of the Group's net interest-earning assets was relatively balanced.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Within 1 year	21,993,690	33.5%	20,936,076	34.3%	5.1%
1-2 years	18,428,213	28.0%	17,079,116	27.9%	7.9%
2-3 years	13,181,847	20.0%	12,370,147	20.2%	6.6%
Over 3 years	12,201,002	18.5%	10,742,268	17.6%	13.6%
<b>Net interest- earning assets</b>	<b>65,804,752</b>	<b>100.0%</b>	61,127,607	100.0%	7.7%

### 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 30 June 2022, the Group had non-performing assets of RMB645.9 million, representing an increase of RMB44.8 million as compared to 31 December 2021. 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 30 June 2022, the Group's non-performing assets ratio was 0.98%.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Pass	58,482,799	88.87%	53,626,877	87.73%	9.1%
Special attention	6,676,050	10.15%	6,899,668	11.29%	-3.2%
Substandard	522,565	0.79%	479,105	0.78%	9.1%
Doubtful	72,541	0.11%	78,704	0.13%	-7.8%
Loss	50,797	0.08%	43,253	0.07%	17.4%
<b>Net interest-earning assets</b>	<b>65,804,752</b>	<b>100.00%</b>	61,127,607	100.00%	7.7%
Non-performing assets <sup>(1)</sup>	645,903		601,062		7.5%
Non-performing assets ratio <sup>(2)</sup>	0.98%		0.98%		

(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 the first half of 2022, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. As at 30 June 2022, the overdue ratio (over 30 days) was 0.82%, increased by 0.06 percentage point as compared to 0.76% at the end of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Overdue ratio (over 30 days) <sup>(1)</sup>	<b>0.82%</b>	0.76%

(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 30 June 2022, the Group's provision coverage ratio was 242.96%, representing an increase of 4.67 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 30 June 2022			
	Stage 1 (12-month expected credit loss) RMB'000 (Unaudited)	Stage 2 (Lifetime expected credit loss) RMB'000 (Unaudited)	Stage 3 (Lifetime expected credit loss – impaired) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Net interest-earning assets	58,482,799	6,481,279	840,674	65,804,752
Provision for impairment of interest-earning assets	(648,902)	(545,564)	(374,830)	(1,569,296)
Net value of interest-earning assets	57,833,897	5,935,715	465,844	64,235,456



## MANAGEMENT DISCUSSION AND ANALYSIS

	As at 31 December 2021			Total RMB'000 (Audited)
	Stage 1 (12-month expected credit loss) RMB'000 (Audited)	Stage 2 (Lifetime expected credit loss) RMB'000 (Audited)	Stage 3 (Lifetime expected credit loss – impaired) RMB'000 (Audited)	
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

### Write-off of interest-earning assets

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Write-off Non-performing assets as at the end of last year	– <b>601,062</b>	– 547,896
Write-off ratio <sup>(1)</sup>	–	–

- (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 June 2022, the Group sold interest-earning assets with a cumulative principal of approximately RMB1,978 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 30 June 2022, the balance of the subordinated shares held by the Group for the asset-backed securities business was RMB139.7 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 June 2022, with no significant abnormality in asset quality.

As at 30 June 2022, the balance of the Group's assets with continuing involvement was RMB268.6 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 receivables*

As at 30 June 2022, the Group's net accounts receivables was RMB1,206.6 million, representing an increase of RMB337.4 million or 38.8% 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 and the increase of consolidated medical institutions.

### **3.1.4 Other assets**

As at 30 June 2022, the Group's balance of inventory was RMB311.2 million, representing an increase of RMB45.7 million as compared to the beginning of the year, which was mainly due to the increase in inventory from newly consolidated medical institutions.

As at 30 June 2022, the Group's balance of right-of-use assets was RMB946.2 million, of which, right-of-use assets recognized in office lease was RMB64.6 million and balance of right-of-use assets increased by RMB151.5 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group's balance of property, plant and equipment was RMB3,049.8 million, representing an increase of RMB526.5 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 30 June 2022, the Group's balance of prepayments, other receivables and other assets was RMB1,011.0 million, representing an increase of RMB120.1 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 prepayment for vaccine by the hospitals under the Group.

As at 30 June 2022, the balance of the Group's investment in joint ventures was RMB478.7 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 RMB4.1 million, which was the investment in the associates of Ansteel General Hospital.

As at 30 June 2022, the Group's balance of goodwill was RMB102.3 million, which remained stable as compared with that at the beginning of the year and included goodwill of RMB58.9 million arising from the acquisition of Xi'an XD Group Hospital (西電集團醫院), 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 30 June 2022, the Group's total liabilities amounted to RMB58,882.9 million, representing an increase of RMB6,606.3 million, or 12.6%, as compared to the end of the previous year. The balance of interest-bearing bank and other borrowings amounted to RMB49,491.5 million, representing an increase of RMB5,318.9 million, or 12.0%, as compared to the end of the previous year, accounting for 84.0% of the total liabilities; balance of other payables and accruals amounted to RMB6,772.5 million, representing an increase of RMB701.6 million, or 11.6%, as compared to the end of the previous year, accounting for 11.5% of the total liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Interest-bearing bank and other borrowings	<b>49,491,463</b>	<b>84.0%</b>	44,172,571	84.5%	12.0%
Trade payable	<b>2,050,641</b>	<b>3.5%</b>	1,111,983	2.1%	84.4%
Other payables and accruals	<b>6,772,531</b>	<b>11.5%</b>	6,070,967	11.6%	11.6%
Derivative financial instruments	<b>205,046</b>	<b>0.3%</b>	554,217	1.1%	-63.0%
Taxes payable	<b>94,591</b>	<b>0.2%</b>	109,608	0.2%	-13.7%
Other non-current liabilities	<b>268,618</b>	<b>0.5%</b>	257,200	0.5%	4.4%
<b>Total</b>	<b>58,882,890</b>	<b>100.0%</b>	52,276,546	100.0%	12.6%

### 3.2.1 Interest-bearing bank and other borrowings

Since 2022, while the covid-19 pandemic, the Russia-Ukraine conflict and other factors have subdued China's economy under a certain degree of downward pressures, the prudent monetary policies were carried out in a flexible and appropriate manner, and supporting policies have been launched at an early stage, which effectively facilitated the stabilization of the fundamentals of the macro economy. The Group was fully committed to the new development concept, and stepped up its efforts to build a new development pattern and establish 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 boasted ever closer ties with its investors and further increased the number of stable investors by issuing multiple tranches of long- and short-term bonds in the interbank market and the Shanghai Stock Exchange in a timely and efficient manner, including super short-term commercial paper, medium-term note, corporate bond, and asset-backed securities, etc., effectively reducing the overall costs. In the indirect financing market, the Group developed financing institutions, and established strategic partnerships with several core financial institutions such as large state-owned commercial banks, joint-stock commercial banks, city commercial banks and foreign banks to conduct extensive, in-depth and long-term cooperation in the direction of finance and industry. Meanwhile, the Group kept a keen watch on the international market and continued to steadily promote foreign currency syndicated and bilateral loans business to strongly support diversified and stable funding resources.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's interest-bearing bank and other borrowings are mainly used to provide capital for its finance lease business. As at 30 June 2022, the balance of the Group's interest-bearing bank and other borrowings was RMB49,491.5 million, representing an increase of RMB5,318.9 million or 12% as compared to 31 December 2021. 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:

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Bank loans	<b>28,939,167</b>	<b>58.5%</b>	24,307,281	55.0%	19.1%
Due to related parties	<b>2,342,280</b>	<b>4.7%</b>	2,275,140	5.2%	3.0%
Bonds	<b>17,233,629</b>	<b>34.8%</b>	15,690,243	35.5%	9.8%
Other loans	<b>976,387</b>	<b>2.0%</b>	1,899,907	4.3%	-48.6%
<b>Total</b>	<b>49,491,463</b>	<b>100.0%</b>	44,172,571	100.0%	12.0%

As at 30 June 2022, the balance of the Group's bank loans amounted to RMB28,939.2 million, accounting for 58.5% of the total interest-bearing bank and other borrowings, representing an increase of 3.5 percentage points as compared to 55.0% as at 31 December 2021. In the first half of 2022, 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 bank and other borrowings by currency:

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
RMB	<b>32,459,040</b>	<b>65.6%</b>	30,685,498	69.5%	5.8%
USD	<b>12,286,954</b>	<b>24.8%</b>	9,876,493	22.3%	24.4%
HKD	<b>4,745,469</b>	<b>9.6%</b>	3,610,580	8.2%	31.4%
<b>Total</b>	<b>49,491,463</b>	<b>100.0%</b>	44,172,571	100.0%	12.0%

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB32,459.0 million, which accounted for 65.6% of its total interest-bearing bank and other borrowings, representing a decrease of 3.9 percentage points as compared to 69.5% as at 31 December 2021. The Group continued its diversified financing strategy, moderately increased the foreign currency financing, and objectively managed the foreign exchange risk with foreign exchange derivatives.

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

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Domestic	<b>31,361,042</b>	<b>63.4%</b>	29,586,998	67.0%	6.0%
Overseas	<b>18,130,421</b>	<b>36.6%</b>	14,585,573	33.0%	24.3%
<b>Total</b>	<b>49,491,463</b>	<b>100.0%</b>	44,172,571	100.0%	12.0%

As at 30 June 2022, the Group's domestic financing balance was RMB31,361.0 million, accounting for 63.4% of the total interest-bearing bank and other borrowings, representing a decrease of 3.6 percentage points as compared to 67.0% as at 31 December 2021.

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

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Current	<b>16,941,696</b>	<b>34.2%</b>	14,745,821	33.4%	14.9%
Non-current	<b>32,549,767</b>	<b>65.8%</b>	29,426,750	66.6%	10.6%
<b>Total</b>	<b>49,491,463</b>	<b>100.0%</b>	44,172,571	100.0%	12.0%

As at 30 June 2022, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB16,941.7 million, accounting for 34.2% of its total interest-bearing bank and other borrowings, representing an increase of 0.8 percentage point as compared to 33.4% at the end of previous year. In the first half of 2022, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2022		31 December 2021		Change%
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Secured	<b>6,223,100</b>	<b>12.6%</b>	6,257,778	14.2%	-0.6%
Unsecured	<b>43,268,363</b>	<b>87.4%</b>	37,914,793	85.8%	14.1%
<b>Total</b>	<b>49,491,463</b>	<b>100.0%</b>	44,172,571	100.0%	12.0%

As at 30 June 2022, the Group's total secured interest-bearing bank and other borrowings amounted to RMB6,223.1 million, accounting for 12.6% of its total interest-bearing bank and other borrowings, representing a decrease of 1.6 percentage points as compared to 14.2% at the end of previous year. The Group's secured assets were mainly interest-earning assets. In order to expand financing channels, constantly diversify financing resources, and optimize financing conditions, we decreased 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:

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Direct financing	<b>17,233,629</b>	<b>34.8%</b>	15,690,243	35.5%	9.8%
Indirect financing	<b>32,257,834</b>	<b>65.2%</b>	28,482,328	64.5%	13.3%
<b>Total</b>	<b>49,491,463</b>	<b>100.0%</b>	44,172,571	100.0%	12.0%

As at 30 June 2022, the total balance of the direct financing of the interest-bearing bank and other borrowings amounted to RMB17,233.6 million, accounting for 34.8% of its total interest-bearing bank and other borrowings, representing a decrease of 0.7 percentage point as compared to 35.5% as at the end of the previous year. In the first half of 2022, 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 30 June 2022, other payables and accruals amounted to RMB6,772.5 million in total, representing an increase of RMB701.6 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 30 June 2022, the Group's total equity was RMB18,272.9 million, representing an increase of RMB649.6 million or 3.7% as compared to the end of the previous year, among which the non-controlling interests were RMB3,308.1 million, representing an increase of RMB450.7 million or 15.8% 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:

	30 June 2022		31 December 2021		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Share capital	<b>5,297,254</b>	<b>29.0%</b>	5,297,254	30.1%	0.0%
Equity attributable to holders of convertible corporate bonds <sup>(1)</sup>	<b>75,486</b>	<b>0.4%</b>	75,486	0.4%	0.0%
Reserves	<b>7,918,384</b>	<b>43.3%</b>	7,731,249	43.9%	2.4%
Equity attributable to owners of the parent	<b>13,291,124</b>	<b>72.7%</b>	13,103,989	74.4%	1.4%
Equity attributable to holders of renewable corporate bonds <sup>(2)</sup>	<b>1,673,612</b>	<b>9.2%</b>	1,661,840	9.4%	0.7%
Non-controlling interests	<b>3,308,078</b>	<b>18.1%</b>	2,857,426	16.2%	15.8%
<b>Total</b>	<b>18,272,814</b>	<b>100.0%</b>	17,623,255	100.0%	3.7%





## MANAGEMENT DISCUSSION AND ANALYSIS

- (1) 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% per annum. The net proceeds raised from the issue of the convertible bonds, after deduction of the related expenses, were approximately USD148 million. On 16 June 2022, the conversion price of the convertible bonds was adjusted from HKD6.47 to HKD6.28 due to declaration and payment of final dividends by the Company.
- (2) 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 the first half of 2022, the Group's net cash outflow from operating activities amounted to RMB1,320.6 million, representing a decrease of outflow of RMB2,733.2 million as compared to that of the corresponding period of the previous year, which was mainly due to the impacts on business investment as a result of temporary difficulties in business travel across regions as affected by the ongoing pandemic in Beijing and the provinces where our customers are located. Net cash outflow from investing activities amounted to RMB86.4 million, representing an increase of outflow of RMB41.8 million as compared to that of the corresponding period of the previous year, primarily due to the increase in loss on trading of derivative products as a result of fluctuations in foreign exchange rate. Net cash inflow from financing activities amounted to RMB2,785.6 million, representing a decrease of inflow of RMB2,497.7 million as compared to that of the corresponding period of the previous year, primarily due to the slowdown in business investment as a result of pandemic prevention and control.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended 30 June		Change %
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	
Net cash flows used in operating activities	<b>(1,320,614)</b>	(4,053,813)	-67.4%
Net cash flows used in investing activities	<b>(86,395)</b>	(44,620)	93.6%
Net cash flows generated from financing activities	<b>2,785,594</b>	5,283,278	-47.3%
Effect of exchange rate changes on cash and cash equivalents	<b>(41,017)</b>	(9,196)	346.0%
Net increase in cash and cash equivalents	<b>1,337,568</b>	1,175,649	13.8%

## 5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains healthy capital ratios, so as to support the Group's business and maximize its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital status. As at 30 June 2022, no change was made to the Group's objectives, policies or processes for capital management.

### Debt ratio

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Total assets	<b>77,155,704</b>	69,899,801
Total liabilities	<b>58,882,890</b>	52,276,546
Total equity	<b>18,272,814</b>	17,623,255
Debt ratio	<b>76.32%</b>	74.79%

### Gearing ratio

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Interest-bearing bank and other borrowings	<b>49,491,463</b>	44,172,571
Total equity	<b>18,272,814</b>	17,623,255
Gearing ratio	<b>2.71</b>	2.51

As at 30 June 2022, the Group's debt ratio and gearing ratio increased slightly as compared to the end of the previous year.

## 6. CAPITAL EXPENDITURE

The Group's capital expenditure primarily consists of expenditure on the purchase of medical equipment, other equipment expenditure relating to the Group's operating lease business, construction expenditure on hospital projects and expenditure relating to office facilities. In the first half of 2022, the Group had capital expenditure of RMB149.8 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 30 June 2022, the Group did not expect to make any change in the proposed use of proceeds set out in the Prospectus.

The Board closely monitored the use of proceeds from the initial public offering with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no material change in the proposed use of proceeds as previously disclosed in the Prospectus. As of 30 June 2022, 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 the first half of 2022, the remaining balance of net proceeds of the Group which we planned to use for hospital digitalization business and for CVA project solutions and clinical department upgrade services in other new areas was RMB32.1 million and RMB10.0 million, respectively, which have both been fully utilized according to the usages disclosed in the Prospectus.

## MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2022, the net proceeds from the initial public offering of the Group have been fully utilized according to the usages disclosed in the Prospectus.

### 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 30 June 2022, 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 the first half of 2022, the Group used RMB124.9 million for further expansion and development of the hospital group business; and RMB103.4 million for expansion of the health industry chain business.

As of 30 June 2022, among the remaining net proceeds from the issue of new shares by the Company, RMB310.1 million was intended to be applied to the hospital group business and RMB136.5 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.

The table below sets out the utilization of the net proceeds from the issue of new shares:

Intended use of the proceeds	Intended use of the proceeds from the issue of new shares (RMB million)	Actual amount utilized during the year ended 31 December 2021 (RMB million)	Actual amount utilized during the six months ended 30 June 2022 (RMB million)	Actual amount utilized up to 30 June 2022 (RMB million)	Unutilized net proceeds up to 30 June 2022 (RMB million)	Expected timeline for utilizing remaining net proceeds
Expansion and development of the hospital group business	678.6	243.6	124.9	368.5	310.1	Second half of 2022
Expansion of the health industry chain business	290.8	50.9	103.4	154.3	136.5	Before 2023
<b>Total</b>	<b>969.4</b>	<b>294.6</b>	<b>228.2</b>	<b>522.8</b>	<b>446.6</b>	–

### 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 16 June 2022, the conversion price of the convertible bonds was adjusted from HKD6.47 to HKD6.28 due to declaration and payment of dividends by the Company. Please refer to the Company's announcements dated 29 December 2020, 25 March 2021, 10 June 2021 and 10 June 2022, and the Company's circular dated 14 January 2021 for further details.

As of 30 June 2022, 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. As of 30 June 2022, out of the Group's net proceeds from the issue of the convertible bonds, 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 the first half of 2022, the Group used RMB85.7 million for business development of hospital group. As of 30 June 2022, the net proceeds from the issue of convertible bonds of the Group have been fully utilized according to the usages disclosed by the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the utilization of the net proceeds from the issue of convertible bonds:

Intended use of the proceeds	Intended use of the proceeds from the issue of convertible bonds (RMB million)	Actual amount utilized during the year ended 31 December 2021 (RMB million)	Actual amount utilized during the six months ended 30 June 2022 (RMB million)	Actual amount utilized up to 30 June 2022 (RMB million)	Unutilized net proceeds up to 30 June 2022 (RMB million)	Expected timeline for utilizing remaining net proceeds
Business development of the hospital group business	267.3	181.6	85.7	267.3	-	-
Business operation of the finance and advisory business	562.0	562.0	-	562.0	-	-
General corporate purpose – repayment of debts	136.9	136.9	-	136.9	-	-
<b>Total</b>	<b>966.2</b>	<b>880.5</b>	<b>85.7</b>	<b>966.2</b>	<b>-</b>	<b>-</b>

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such risk mitigation measure.

The following table sets forth a sensitivity analysis on the Group's profit before tax affected by a reasonably possible change in interest rate, with all other variables unchanged. The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

	Increase/(decrease) in profit before tax	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Change in base points</b>		
+100 base points	<b>(73,754)</b>	19,980
-100 base points	<b>73,754</b>	(19,980)

### 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 30 June 2022, the Group's exposure to foreign exchange risk amounted to USD2,531.6 million, USD2,535.1 million or 100.1% of which had been hedged against by various financial instruments. Thus, the Group's exposure to foreign exchange risk is basically covered.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	Change in exchange rate %	Increase/(decrease) in profit before tax	
		30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
If RMB strengthens against USD/HKD	(1)	180	(818)
If RMB weakens against USD/HKD	1	(180)	818

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 by the Group 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 lease receivables is in question as it is unable to make its payments in full with its operating revenues and the Group is likely to incur losses notwithstanding the enforcement of any guarantees. For example, if a lease payment that has been categorized as special mention continues to be overdue for a period of time, then the 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:

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Continuously improving the management process after the lease and regularly monitoring the asset portfolio*

The Group continued to improve the management process after lease and strengthened the coordination of various departments to ensure the rent collection and the collateral security, as well as enhancing asset quality. During the period, the Group constantly monitored the collection of rental payments from our customers. For projects with overdue lease receivables, we would adopt a variety of measures to collect the overdue receivables, and collect data to facilitate our classification of risky assets.

### *On-site customer visits*

The Group formulated and implemented an annual on-site visit plan and inspected the business development and financial conditions of its customers on a continuing basis, during which cross-selling opportunities could also be explored for providing more value-added services. Through on-site visits, the customers would be urged to pay the rent on time more consciously and they would be more willing to communicate with the Group.

### *Material events handling and reporting procedures*

The Group implemented a material events reporting system. If any material adverse event occurs to customers, a responsible department should take the lead and collaborate and coordinate with various departments to actively respond to the situation. Meanwhile, such event would need to be reported to the senior management and the Board.

### *Regular assessments on asset quality and update on reclassification*

The Group adopted the expected credit loss model to classify its assets related to 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **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:

	30 June 2022		31 December 2021	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total
Healthcare	<b>20,341,773</b>	<b>30.9%</b>	22,267,645	36.4%
Urban public utility	<b>42,549,686</b>	<b>64.7%</b>	36,433,511	59.6%
Others	<b>2,913,293</b>	<b>4.4%</b>	2,426,451	4.0%
<b>Total</b>	<b>65,804,752</b>	<b>100.0%</b>	61,127,607	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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Net interest-earning assets	<b>64,451,316</b>	60,299,526
Accounts receivables	<b>1,206,574</b>	869,232
Other receivables	<b>345,660</b>	314,883
Derivative financial assets	<b>205,944</b>	6,915
Bills receivables	<b>1,500</b>	759

## 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					
<b>30 June 2022 (Unaudited)</b>						
Total financial assets	3,967,956	8,580,751	19,410,969	49,222,254	–	81,181,930
Total financial liabilities	(546,207)	(6,188,078)	(15,374,582)	(38,015,621)	(8,182)	(60,132,670)
Net liquidity gap <sup>(1)</sup>	3,421,749	2,392,673	4,036,387	11,206,633	(8,182)	21,049,260
<b>31 December 2021 (Audited)</b>						
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 <sup>(1)</sup>	1,977,221	3,558,847	4,205,245	11,152,487	(5,878)	20,887,922

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

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

### 8. PLEDGE OF GROUP ASSETS

As at 30 June 2022, the Group had interest-earning assets of RMB6,942.6 million and cash of RMB772.2 million pledged or paid to banks to secure the bank borrowings.

### 9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 5 August 2022, the Company and the First Affiliated Hospital of Xi'an Jiaotong University (西安交通大學第一附屬醫院) ("First Affiliated Hospital") entered into a termination agreement, pursuant to which the Company withdraw from the project to construct International Land Port Hospital (國際陸港醫院) for First Affiliated Hospital (the "Project Construction"). As disclosed in the annual report of the Company published on 20 April 2022, as of 31 December 2021, the Group had invested approximately RMB12,768,000 (including approximately RMB3,815,000 payable by the Group) to the Project Construction, and there was no further subsequent investment. Pursuant to the termination agreement, the contract consideration paid by the Company of approximately RMB3,984,000 will be paid by Xi'an Port Property Company Limited (西安港置業有限公司) and its holding company, Administrative Committee of Xi'an International Trade & Logistics Park (西安國際港務區管委會) ("ITLP Administrative Committee") to the Group as the Company agreed to hand over the results of the Project Construction to the ITLP Administrative Committee, while no payment will be made for the outstanding contract consideration of approximately RMB3,815,000 payable by the Group under the Project Construction. The costs for staff originally assigned for the Project Construction and the operation costs accordingly incurred of approximately RMB4,969,000 were actually utilised for other hospital construction businesses of the Company and were also transferred to operation costs during the period when the cooperation was terminated. Therefore, the Group would not incur a loss under the Cooperation Agreement.

There were no significant investments held, nor were there any material disposals of subsidiaries during the six months ended 30 June 2022.

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

### 10.1 Contingent Liabilities

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Legal proceedings	–	–
Claimed amounts	–	–

### 10.2 Capital Commitments and Credit Commitments

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Capital expenditure under signed contracts but not appropriated <sup>(1)</sup>	<b>1,682,601</b>	1,645,398
Credit commitments <sup>(2)</sup>	<b>1,473,000</b>	6,690,000

- (1) Capital expenditure under signed contracts but not appropriated during the period represents project funds under signed contracts but not yet paid mainly for medical equipment and hospital development and operation projects.
- (2) Credit commitments refer to the amount, conditional and revocable, under approved lease contracts but not appropriated by settlement date.

## 11. HUMAN RESOURCES

As of 30 June 2022, we had a total of 18,077 employees, representing an increase of 2,835 or 18.60% compared to 15,242 employees as of 31 December 2021, which is mainly due to transfer of employees from acquired hospitals.

We have a highly-educated and high-quality work force, with about 58.59% of our employees holding bachelor's degrees and above, about 6.24% holding master's degrees and above, about 39.63% with intermediate title and above, and about 13.93% with senior vice title and above as of 30 June 2022.

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

In accordance with applicable PRC regulations, we have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We also provide other insurance plans for eligible employees such as supplementary pension, additional medical insurance and accident insurance in addition to those required under the PRC regulations. For the six months ended 30 June 2022, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material respects.

# DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the interests and/or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### (A) Long positions in the Shares

Name	Nature of interest	Position	Number of Shares interested	Approximate percentage of interest held in the Company
Peng Jiahong <sup>(1)</sup>	Interest of controlled corporation	Executive Director	7,617,400	0.40%
Chan Kai Kong	Beneficial owner	Non-executive Director	30,000	0.00%

### (B) Long positions in the 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 <sup>(2)</sup>	Beneficial owner	Executive Director	1,322,000	0.07%
Yu Gang <sup>(3)</sup>	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 was granted an option to subscribe for 1,322,000 Shares under the Share Option Scheme.
- (3) Mr. Yu was granted an option to subscribe for 1,322,000 Shares under the Share Option Scheme.



## DISCLOSURE OF INTERESTS

Save as disclosed above, as at 30 June 2022, 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

So far as the Directors are aware, as of 30 June 2022, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO:

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

Name of 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	185,560,509	9.81%
Zhang Yichen (Note 2)	Interest of controlled corporation	185,560,509	9.81%
CITIC Capital (Notes 2 and 3)	Interest of controlled corporation	244,967,509	12.95%
Chu Mang Yee (Note 4)	Interest of controlled corporation	246,957,581	13.06%
Sounda Properties (Note 4)	Beneficial owner	4,806,000	0.25%
	Interest of controlled corporation	242,151,581	12.80%
Meta Group Limited (Note 4)	Interest of controlled corporation	169,835,081	8.98%
Sounda Hopson Technology Investment Limited (Note 4)	Interest of controlled corporation	169,835,081	8.98%
Sounda Hopson Technology Holdings Limited (Note 4)	Interest of controlled corporation	169,835,081	8.98%

## DISCLOSURE OF INTERESTS

### 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 185,560,509 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 (of which Mr. Zhang Yichen holds more than one-third voting power), respectively. By virtue of the SFO, CITIC CPL, CITIC Capital, CP Management Holdings Limited and Mr. Zhang Yichen are deemed to be interested in the 185,560,509 Shares directly held by CCP Leasing II Limited.
3. Other than the 185,560,509 Shares mentioned above, CITIC Capital is also interested in another 59,407,000 Shares, of which 4,174,000 Shares 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 68.17% 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 59,407,000 Shares.
4. Among the 246,957,581 Shares, (i) 4,806,000 Shares are directly held by Sounda Properties Limited (“Sounda Properties”); (ii) 169,835,081 Shares are directly held by Million Surplus Developments, and (iii) 72,316,500 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 246,957,581 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 169,835,081 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 53.75% by Sounda Properties. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 72,316,500 Shares held by Hopson E-Commerce.

Therefore, Mr. Chu Mang Yee is deemed to be interested in a total of 246,957,581 Shares.

Save as disclosed above, as at 30 June 2022, 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.



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE PRACTICES

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.

During the period from 1 January 2022 to 30 June 2022, the Company has complied with all code provisions as set out in the CG Code save for the deviation from code provision B.2.2.

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, pursuant to the Articles, the executive Directors shall not be subject to the rotational retirement provision, without prejudice of the power of shareholders in general meeting to remove any such Director. To ensure the continuity of leadership and stability for growth of the Company, the Board is of the view that the executive Directors should hold office on a continuous basis.

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry to all the Directors, all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2022 to the date of this interim report.

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

## AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules. It comprises three members, namely Mr. Li Yinquan (chairman), Mr. 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 has discussed with the management and the overseas auditor and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 and this interim report.

In addition, Ernst & Young, the overseas auditor of the Company, has independently reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

## DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the year ended 31 December 2021 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2022 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required under section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s overseas auditor has submitted a report on the consolidated financial statements for the year ended 31 December 2021. The overseas auditor’s report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

# OTHER INFORMATION

## SHARE OPTION SCHEME

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 extraordinary 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 total 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 within 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-month 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 within 21 days from the date upon which the offer is made (or such other period as determined by the Board from time to time). 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 as stated in the Stock Exchange's daily quotations sheet on the grant date; (ii) the average closing price of the Shares 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
<b>Total</b>		<b>2,644,000</b>

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.

## OTHER INFORMATION

Details of the options granted under the Share Option Scheme and those remained outstanding as at 30 June 2022 are as follows:

Name of Option Holders	Number of Options				Outstanding as at 30 June 2022	Exercise Price <sup>(1)</sup>
	Outstanding as at 1 January 2022	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period		
<b>Directors</b>						
Ms. Peng Jiahong	1,322,000	–	–	–	1,322,000	HKD5.97
Mr. Yu Gang	1,322,000	–	–	–	1,322,000	HKD5.97
<b>Other Employees</b>	12,430,000	–	–	–	12,430,000	HKD5.97
<b>Total</b>	15,074,000	–	–	–	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 was HKD5.90 per Share.

The Board considers that it is not appropriate to state the value of the options granted pursuant to the Share Option Scheme as if they were granted at the date of this report. The Board believes that any statement regarding the value of the options as at the date of this 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.

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

## DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

## CHANGES IN DIRECTORS' INFORMATION

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

Mr. Xu Zhiming, an independent non-executive Director, ceased to be an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 01065)) on 8 September 2022.

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

## DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at 30 June 2022, 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 as required under Rule 13.18 of the Listing Rules, there were no other matters that gave rise to a disclosure required under Rule 13.18 of the Listing Rules.



## **PUBLICATION OF THE INTERIM REPORT**

This interim report, in both English and Chinese versions, is available on the Company's website at [www.umcare.com](http://www.umcare.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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

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

# INDEPENDENT REVIEW REPORT

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 66 to 124, which comprises the condensed consolidated statement of financial position of Genertec Universal Medical Group Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

Certified Public Accountants  
Hong Kong  
30 August 2022

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>REVENUE</b>	5	<b>5,712,259</b>	5,007,536
Cost of sales		<b>(3,331,598)</b>	(2,643,912)
Gross profit		<b>2,380,661</b>	2,363,624
Other income and gains	5	<b>240,613</b>	83,266
Selling and distribution costs		<b>(225,793)</b>	(260,680)
Administrative expenses		<b>(440,686)</b>	(380,016)
Impairment losses on financial assets, net		<b>(137,588)</b>	(171,730)
Loss on derecognition of financial assets measured at amortised cost		<b>(17)</b>	–
Other expenses		<b>(304,460)</b>	(153,047)
Finance costs		<b>(13,768)</b>	(13,037)
Share of profits and losses of:			
A joint venture		<b>5,930</b>	7,003
An associate		<b>(90)</b>	131
<b>PROFIT BEFORE TAX</b>	6	<b>1,504,802</b>	1,475,514
Income tax expense	7	<b>(328,442)</b>	(349,991)
<b>PROFIT FOR THE PERIOD</b>		<b>1,176,360</b>	1,125,523
<b>Attributable to:</b>			
Owners of the parent		<b>1,089,365</b>	1,049,956
Non-controlling interests		<b>51,167</b>	39,967
Other equity instruments		<b>35,828</b>	35,600
		<b>1,176,360</b>	1,125,523
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
Basic (expressed in RMB per share)		<b>0.58</b>	0.57
Diluted (expressed in RMB per share)		<b>0.53</b>	0.53

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>1,176,360</b>	1,125,523
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	<b>216,230</b>	(46,636)
Reclassification adjustments included in the consolidated statement of profit or loss	<b>(634,993)</b>	12,432
Income tax effect	<b>90,642</b>	13,884
	<b>(328,121)</b>	(20,320)
Exchange differences on translation of foreign operations	<b>3,102</b>	(767)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<b>(325,019)</b>	(21,087)
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	<b>(1,367)</b>	(1,527)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<b>(1,367)</b>	(1,527)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(326,386)</b>	(22,614)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>849,974</b>	1,102,909
Attributable to:		
Owners of the parent	<b>763,647</b>	1,028,088
Non-controlling interests	<b>50,499</b>	39,221
Other equity instruments	<b>35,828</b>	35,600
	<b>849,974</b>	1,102,909

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	3,049,771	2,523,269
Right-of-use assets		946,174	794,652
Loans and accounts receivables	12	42,976,536	39,518,628
Prepayments, other receivables and other assets		517,102	507,316
Goodwill		102,253	102,253
Deferred tax assets		664,494	561,184
Financial assets at fair value through profit or loss		249,035	366,470
Derivative financial instruments		102,882	6,915
Investment in a joint venture		478,676	476,015
Investment in an associate		4,096	4,284
Other intangible assets		70,722	46,183
<b>Total non-current assets</b>		<b>49,161,741</b>	44,907,169
<b>CURRENT ASSETS</b>			
Inventories		311,173	265,427
Loans and accounts receivables	12	22,466,994	21,046,689
Prepayments, other receivables and other assets		493,860	383,576
Derivative financial instruments		103,062	–
Restricted deposits		939,228	954,862
Cash and cash equivalents	13	3,679,646	2,342,078
<b>Total current assets</b>		<b>27,993,963</b>	24,992,632
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	2,050,641	1,111,983
Other payables and accruals		2,703,234	2,417,318
Interest-bearing bank and other borrowings	15	16,941,696	14,745,821
Derivative financial instruments		66,715	346,569
Tax payable		94,591	109,608
<b>Total current liabilities</b>		<b>21,856,877</b>	18,731,299
<b>NET CURRENT ASSETS</b>		<b>6,137,086</b>	6,261,333
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>55,298,827</b>	51,168,502

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds – host debts		<b>937,957</b>	882,689
Interest-bearing bank and other borrowings	15	<b>31,611,810</b>	28,544,061
Other payables and accruals		<b>4,069,297</b>	3,653,649
Other non-current liabilities		<b>268,618</b>	257,200
Derivative financial instruments		<b>138,331</b>	207,648
<b>Total non-current liabilities</b>		<b>37,026,013</b>	33,545,247
<b>Net assets</b>		<b>18,272,814</b>	17,623,255
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	16	<b>5,297,254</b>	5,297,254
Equity component of convertible bonds		<b>75,486</b>	75,486
Reserves	17	<b>7,918,384</b>	7,731,249
		<b>13,291,124</b>	13,103,989
Other equity instruments		<b>1,673,612</b>	1,661,840
Non-controlling interests		<b>3,308,078</b>	2,857,426
<b>Total equity</b>		<b>18,272,814</b>	17,623,255

**Wang Wenbing**  
Director

**Peng Jiahong**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent													
	Equity													
	Share of convertible capital	Equity component	Share-based compensation	General and regulatory reserves*	Exchange fluctuation	Hedge reserve*	Post-retirement benefit reserve*	Retained profits*	Total instruments	Other equity	Non-controlling interests	Total equity		
RMB'000	RMB'000	Capital reserve*	Statutory reserve*	Reserve*	Reserve*	Reserve*	Reserve*	Reserve*	Reserve*	Reserve*	Reserve*	Reserve*		
(Note 16)	(Note 17)	(Note 17)	(Note 17)	(Note 17)	(Note 17)	(Note 17)	(Note 17)	(Note 17)	(Note 17)	(Note 17)	(Note 17)	(Note 17)		
At 31 December 2021 (Audited)	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
Profit for the period	-	-	-	-	-	-	-	-	-	1,089,365	1,089,365	35,828	51,167	1,176,360
Other comprehensive loss for the period:														
Cash flow hedges, net of tax	-	-	-	-	-	-	-	(328,121)	-	-	(328,121)	-	-	(328,121)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	3,102	-	-	-	3,102	-	-	3,102
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	-	-	(699)	-	(699)	-	(668)	(1,367)
Total comprehensive income for the period	-	-	-	-	-	-	3,102	(328,121)	(699)	1,089,365	763,647	35,828	50,999	849,974
Dividends (Note 8)	-	-	-	-	-	-	-	-	-	(578,512)	(578,512)	-	-	(578,512)
Appropriation of general and regulatory reserves	-	-	-	-	-	51,928	-	-	-	(51,928)	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	1,636	-	-	-	-	-	1,636	-	-	1,636
Distribution paid to holders of renewable corporate bonds	-	-	-	-	-	-	-	-	-	-	(24,056)	-	-	(24,056)
Acquisition of subsidiaries (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	400,605	400,605
Acquisition of non-controlling interests	-	-	364	-	-	-	-	-	-	-	364	-	(452)	(88)
At 30 June 2022 (Unaudited)	5,297,254	75,486	27,442	1,059,986	13,232	809,808	30,718	(362,699)	(6,408)	6,346,305	13,291,124	1,673,612	3,308,078	18,272,814

\* These reserve accounts comprise the consolidated reserves of RMB7,918,384,000 (31 December 2021: RMB7,731,249,000) in the interim condensed consolidated statement of financial position.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent												
	Share capital RMB'000 (Note 16)	Equity component of convertible bonds RMB'000 (Note 17)	Capital reserve RMB'000 (Note 17)	Statutory reserve RMB'000 (Note 17)	Share-based compensation reserve RMB'000 (Note 17)	Exchange fluctuation reserve RMB'000 (Note 17)	Hedge reserve RMB'000	Post-retirement benefit reserve RMB'000	Retained profits RMB'000	Total instruments RMB'000	Other equity interests RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2020 (Audited)	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 period	-	-	-	-	-	-	-	-	1,049,956	1,049,956	35,600	39,967	1,125,523
Other comprehensive loss for the period:													
Cash flow hedges, net of tax	-	-	-	-	-	-	(20,320)	-	-	(20,320)	-	-	(20,320)
Exchange differences on translation of foreign operations	-	-	-	-	-	(767)	-	-	-	(767)	-	-	(767)
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	-	(781)	-	(781)	-	(746)	(1,527)
Total comprehensive income for the period	-	-	-	-	-	(767)	(20,320)	(781)	1,049,956	1,028,088	35,600	39,221	1,102,909
Issue of shares	969,412	-	-	-	-	-	-	-	-	969,412	-	-	969,412
Dividends	-	-	-	-	-	-	-	-	(482,981)	(482,981)	-	-	(482,981)
Issuance of convertible bonds	-	75,486	-	-	-	-	-	-	-	75,486	-	-	75,486
Issuance of renewable corporate bonds	-	-	-	-	-	-	-	-	-	-	497,606	-	497,606
Recognition of equity-settled share-based payments	-	-	-	-	2,899	-	-	-	-	2,899	-	-	2,899
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	214,551	214,551
At 30 June 2021 (Unaudited)	5,297,254	75,486	34,774	870,192	8,697	28,481	2,770	(4,013)	6,049,777	12,363,418	2,185,593	2,796,206	17,345,217



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>1,504,802</b>	1,475,514
Adjustments for:			
Finance costs and interest expense		<b>954,660</b>	809,771
Interest income	5	<b>(22,671)</b>	(20,954)
Share of profits of a joint venture and an associate		<b>(5,840)</b>	(7,134)
Derivative instruments – transactions not qualifying as hedges:			
– Unrealised fair value (gains)/losses, net	5	<b>(93,849)</b>	121,488
– Realised fair value (gains)/losses, net	5	<b>(10,981)</b>	25,120
Depreciation and amortisation, exclusive of right-of-use assets		<b>170,944</b>	134,660
Depreciation of right-of-use assets		<b>25,665</b>	21,328
Impairment of loans and accounts receivables and other receivables	6	<b>137,588</b>	171,730
Loss on disposal of property, plant and equipment, net	6	<b>211</b>	3,612
Equity-settled share-based compensation expense	6	<b>1,636</b>	2,899
Interest income from continuing involvement in transferred assets	5	<b>(14,205)</b>	–
Gain on unlisted debt investments, at fair value	5	<b>(3,765)</b>	–
Fair value gains from financial assets at fair value through profit or loss	5	<b>(2,565)</b>	–
Foreign exchange losses/(gains), net	6	<b>296,355</b>	(58,161)
		<b>2,937,985</b>	2,679,873
Increase in inventories		<b>(8,101)</b>	(26,276)
Increase in loans and accounts receivables		<b>(4,940,633)</b>	(6,676,833)
Decrease/(increase) in prepayments, other receivables and other assets		<b>46,264</b>	(54,557)
Decrease/(increase) in amounts due from related parties		<b>548</b>	(95)
Increase in trade and bills payables		<b>515,680</b>	259,563
Increase in other payables and accruals		<b>438,658</b>	69,212
Increase in amounts due to related parties		<b>10,560</b>	5,712
Net cash flows used in operating activities before tax and interest		<b>(999,039)</b>	(3,743,401)
Interest received		<b>34,400</b>	17,887
Income tax paid		<b>(355,975)</b>	(328,299)
Net cash flows used in operating activities		<b>(1,320,614)</b>	(4,053,813)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received from an associate	98	123
Dividends received from a joint venture	3,269	–
Realised losses on derivative financial instruments not qualifying as hedges	(224,023)	(42,849)
Realised gains on financial assets at fair value through profit or loss	3,765	–
Decrease in time deposits	23,000	74,500
Acquisition of subsidiaries	129,777	42,974
Other receipt of investments	7,566	12,761
Addition to a joint venture	–	(6,450)
Proceeds from disposal of financial assets at fair value through profit or loss	120,000	–
Cash paid for acquisition of property, plant and equipment and other non-current assets	(149,847)	(125,679)
Net cash flows used in investing activities	(86,395)	(44,620)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of renewable corporate bonds	–	497,606
Proceeds from issue of convertible bonds	–	1,054,716
Proceed from issue of shares	–	969,412
Acquisition of a non-controlling interest	(88)	–
Cash received from borrowings	17,465,958	15,080,164
Repayments of borrowings	(12,171,279)	(8,911,350)
Increase in restricted deposits	(2,255)	(371,901)
Increase in amounts due to related parties	8,104	4,008,744
Decrease in amounts due to related parties	(21,054)	(5,125,608)
Interest paid	(962,842)	(824,302)
Principal portion of lease payments	(941,216)	(542,275)
Receipt of other financing activities	235,944	226,176
Cash paid on other financing activities	(247,166)	(295,123)
Dividends paid	(578,512)	(482,981)
Net cash flows from financing activities	2,785,594	5,283,278

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,378,585</b>	1,184,845
Cash and cash equivalents at beginning of the period		<b>2,342,078</b>	2,036,535
Effect of exchange rate changes on cash and cash equivalents		<b>(41,017)</b>	(9,196)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>3,679,646</b>	3,212,184
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>4,468,874</b>	4,003,683
Less: Restricted deposits		<b>(789,228)</b>	(791,499)
Cash and cash equivalents as stated in the statement of financial position	13	<b>3,679,646</b>	3,212,184
Cash and cash equivalents as stated in the statement of cash flows		<b>3,679,646</b>	3,212,184

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

The financial information relating to the year ended 31 December 2021 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2021. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3  
Amendments to HKAS 16

Amendments to HKAS 37  
*Annual Improvements to HKFRSs 2018-2020*

*Reference to the Conceptual Framework*  
*Property, Plant and Equipment: Proceeds before Intended Use*  
*Onerous Contracts – Cost of Fulfilling a Contract*  
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

- (a) Amendments to HKFRS 3 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2022. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2022, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) *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 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- 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.

## 3. BUSINESS COMBINATIONS

The acquisition of subsidiaries accounted for as business combinations is set out as follows:

On 1 March 2022, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group ("Hospital Investment Co., Ltd."), acquired a 46% equity interest in Genertec Minmetals Hospital Management (Beijing) Co., Ltd. ("Genertec Minmetals Co., Ltd.") at a consideration of RMB445,890,000. Certain subsidiaries of China Minmetals Corporation ("Minmetals Shareholders") contributed to Genertec Minmetals Co., Ltd. assessed assets of Minmetals Medical Institutions. According to a concerted action agreement with other shareholders, the Group acquired a 56% equity interest in Genertec Minmetals Co., Ltd., and controlled Genertec Minmetals Co., Ltd. Upon completion of the transaction, Genertec Minmetals Co., Ltd. is the promoter of Minmetals Medical Institutions.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 3. BUSINESS COMBINATIONS (CONTINUED)

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

	Fair value recognised on acquisition RMB'000 (Unaudited)
<b>Assets</b>	
Property, plant and equipment	502,583
Right-of-use assets	166,107
Cash and cash equivalents	129,777
Loans and accounts receivables	74,945
Prepayments, other receivables and other assets	145,480
Receivable of consideration to be paid as capital injection	445,890
Inventories	37,645
Other intangible assets	18,222
	1,520,649
<b>Liabilities</b>	
Trade and bills payables	352,513
Other payables and accruals	316,958
Interest-bearing bank and other borrowings	4,683
	674,154
Total identifiable net assets at fair value	846,495
Non-controlling interests	(400,605)
Goodwill on acquisition	–
Purchase consideration transferred	445,890
Including:	
Consideration unpaid as additional capital injection to subsidiaries after acquisition	445,890
An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:	
Cash and bank balances acquired	129,777
Net inflow of cash and cash equivalents included in cash flows from investing activities	129,777
Transaction costs of the acquisition included in cash flows from operating activities	(536)

### 3. BUSINESS COMBINATIONS (CONTINUED)

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the reporting period is presented below:

	RMB'000 (Unaudited)
<b>Gross carrying amount</b>	
At 1 January 2022	102,253
Acquisition of a subsidiary	–
<hr/>	
At 30 June 2022	102,253
<hr/>	
<b>Net book value</b>	
At 1 January 2022	102,253
<hr/>	
At 30 June 2022	102,253
<hr/>	

The fair values of the loans and accounts receivables and prepayments, other receivables and other assets as at the date of acquisition amounted to RMB74,945,000 and RMB145,480,000, respectively. The gross contractual amounts of loans and accounts receivables were RMB76,689,000, of which RMB1,744,000 was expected to be uncollectible. The gross contractual amounts of prepayments, other receivables and other assets were RMB146,366,000, of which RMB886,000 was expected to be uncollectible.

The Group incurred transaction costs of RMB536,000 in these acquisitions. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of profit or loss.

Since the acquisitions, subsidiaries contributed RMB326,033,000 to the Group's revenue and RMB6,819,000 to the consolidated profit for the six months ended 30 June 2022.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit after tax of the Group for the period would have been RMB5,850,285,000 and RMB1,168,586,000, respectively.

The assessments of the fair values of the identifiable assets and liabilities are still ongoing and the information of the fair values of the identifiable assets and liabilities is provisional. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ending 31 December 2022.



## **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 six months ended 30 June 2022

	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue:</b>				
Sales to external customers	2,987,313	2,724,946	–	5,712,259
Intersegment sales	448	–	(448)	–
Cost of sales	(1,026,493)	(2,391,202)	86,097	(3,331,598)
Other income and gains	229,620	97,090	(86,097)	240,613
Selling and distribution costs and administrative expenses	(412,028)	(254,451)	–	(666,479)
Impairment losses on financial assets, net	(137,015)	(573)	–	(137,588)
Loss on derecognition of financial assets measured at amortised cost	(17)	–	–	(17)
Share of loss of an associate	–	(90)	–	(90)
Share of profit of a joint venture	–	5,930	–	5,930
Other expenses	(301,574)	(2,886)	–	(304,460)
Finance costs	(760)	(13,456)	448	(13,768)
Profit before tax	1,339,494	165,308	–	1,504,802
Income tax expense	(306,879)	(21,563)	–	(328,442)
Profit after tax	1,032,615	143,745	–	1,176,360
<b>Segment assets</b>	<b>69,960,171</b>	<b>11,568,707</b>	<b>(4,373,174)</b>	<b>77,155,704</b>
<b>Segment liabilities</b>	<b>60,258,356</b>	<b>2,997,708</b>	<b>(4,373,174)</b>	<b>58,882,890</b>
<b>Other segment information:</b>				
Impairment losses recognised in the statement of profit or loss	137,015	573	–	137,588
Depreciation and amortisation	32,575	164,034	–	196,609
Investment in an associate	–	4,096	–	4,096
Investment in a joint venture	–	478,676	–	478,676
Capital expenditure	15,639	134,208	–	149,847

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the six months ended 30 June 2021

	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue:</b>				
Sales to external customers	2,889,132	2,118,404	–	5,007,536
Cost of sales	(862,661)	(1,847,177)	65,926	(2,643,912)
Other income and gains	74,553	74,639	(65,926)	83,266
Selling and distribution costs and administrative expenses	(439,727)	(200,969)	–	(640,696)
Impairment losses on financial assets, net	(170,007)	(1,723)	–	(171,730)
Share of profit of an associate	–	131	–	131
Share of profit of a joint venture	–	7,003	–	7,003
Other expenses	(150,563)	(2,484)	–	(153,047)
Finance costs	(2,024)	(11,013)	–	(13,037)
Profit before tax	1,338,703	136,811	–	1,475,514
Income tax expense	(335,321)	(14,670)	–	(349,991)
Profit after tax	1,003,382	122,141	–	1,125,523
<b>Segment assets</b>	63,905,648	8,630,279	(2,640,982)	69,894,945
<b>Segment liabilities</b>	53,038,267	2,152,443	(2,640,982)	52,549,728
<b>Other segment information:</b>				
Impairment losses recognised in the statement of profit or loss	170,007	1,723	–	171,730
Depreciation and amortisation	24,266	131,722	–	155,988
Investment in an associate	–	4,223	–	4,223
Investment in a joint venture	–	469,345	–	469,345
Capital expenditure	18,608	107,071	–	125,679

## 4. OPERATING SEGMENT INFORMATION (CONTINUED)

### Geographical information

#### (a) Sales to external customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	5,712,259	5,007,536

The revenue information is based on the locations of customers.

#### (b) Non-current assets

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

### Information about major customers

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

## 5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Finance lease income	323,181	600,828
Factoring Income	46,245	11,967
Long-term receivable income arising from sale-and-leaseback arrangements	2,031,576	1,659,311
Revenue from contracts with customers	3,301,480	2,737,231
Revenue from other sources	27,067	16,462
Tax and surcharges	(17,290)	(18,263)
	5,712,259	5,007,536

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services</b>			
Service fee income	601,581	13,009	614,590
Sale of finished goods	–	127,628	127,628
Healthcare service income	–	2,559,262	2,559,262
Total revenue from contracts with customers	601,581	2,699,899	3,301,480
<b>Geographical market</b>			
Mainland China	601,581	2,699,899	3,301,480
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	–	127,628	127,628
Services transferred at a point in time	601,581	2,572,271	3,173,852
Total revenue from contracts with customers	601,581	2,699,899	3,301,480

## 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

### Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended 30 June 2021

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services</b>			
Service fee income	632,157	6,981	639,138
Sale of finished goods	–	144,296	144,296
Healthcare service income	–	1,953,797	1,953,797
<hr/>			
Total revenue from contracts with customers	632,157	2,105,074	2,737,231
<hr/>			
<b>Geographical markets</b>			
Mainland China	632,157	2,105,074	2,737,231
<hr/>			
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	–	144,296	144,296
Services transferred at a point in time	632,157	1,960,778	2,592,935
<hr/>			
Total revenue from contracts with customers	632,157	2,105,074	2,737,231
<hr/>			

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

### 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

#### Disaggregated revenue information for revenue from contracts with customers (continued)

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

##### For the six months ended 30 June 2022

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	601,581	2,699,899	3,301,480
Intersegment sales	–	–	–
Intersegment adjustments and eliminations	–	–	–
Total revenue from contracts with customers	601,581	2,699,899	3,301,480

##### For the six months ended 30 June 2021

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	632,157	2,105,074	2,737,231
Intersegment sales	–	–	–
Intersegment adjustments and eliminations	–	–	–
Total revenue from contracts with customers	632,157	2,105,074	2,737,231

**5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)**

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Other income and gains</b>		
Interest income	22,671	20,954
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value gains, net	93,849	–
– Realised fair value gains, net	10,981	–
Government grants (note 5a)	90,075	2,585
Gain on unlisted debt investments, at fair value	3,765	–
Interest income from continuing involvement in transferred assets	14,205	–
Fair value gains from financial assets at fair value through profit or loss	2,565	–
Foreign exchange gains, net	–	58,161
Others	2,502	1,566
	<b>240,613</b>	<b>83,266</b>

**5a. GOVERNMENT GRANTS**

	2022 RMB'000	2021 RMB'000
Government special subsidies	90,075	2,585



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### 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of borrowings included in cost of sales	940,892	796,735
Cost of inventories sold	82,265	96,576
Cost of medical services	1,422,941	1,085,783
Cost of others	6,576	9,894
Depreciation and amortisation*	196,609	155,488
Loss on disposal of items of property, plant and equipment	211	3,612
Research and development expenses*	6,309	7,432
Employee benefit expense*		
– Equity-settled share-based compensation expense	1,636	2,899
– Wages and salaries	914,700	575,360
– Pension scheme contributions	99,295	77,675
– Other employee benefits	245,648	116,593
	<b>1,261,279</b>	772,527
Impairment of loans and accounts receivables and other receivables	137,588	171,730
Foreign exchange losses/(gains), net	296,355	(58,161)
– Cash flow hedges (transfer from equity to offset foreign exchange)	(634,993)	12,432
– Others	931,348	(70,593)
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value (gains)/losses, net (note 5)	(93,849)	121,488
– Realised fair value (gains)/losses, net (note 5)	(10,981)	25,120

\* The amortisation of intangible assets and the employee benefit expense from research and development activities are included in research and development expenses.

## 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	<b>367,284</b>	450,610
(Overprovision)/Underprovision in prior years	<b>(26,174)</b>	942
Deferred tax	<b>(12,668)</b>	(101,561)
<b>Total tax charge for the period</b>	<b>328,442</b>	349,991

Hong Kong profits tax is provided at the rate of 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate of 0% to 25% (six months ended 30 June 2021: 0% to 25%) on the estimated assessable profits for the six months ended 30 June 2022 based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries incorporated in the Cayman Islands and the British virgin islands are exempted from income tax in the Cayman Islands and British virgin islands.

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### 7. INCOME TAX EXPENSE (CONTINUED)

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit before tax	<b>1,504,802</b>	1,475,514
At PRC statutory income tax rate	<b>376,201</b>	368,879
Expenses not deductible for tax purposes	<b>1,023</b>	6,854
Income not subject to tax	<b>(31,180)</b>	(29,158)
Profits attributable to a joint venture and an associate	<b>(1,460)</b>	(1,783)
Adjustment on current income tax in respect of prior years	<b>(26,174)</b>	942
Unrecognised tax losses	<b>2,363</b>	1,819
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	<b>14,775</b>	16,281
Additional deductible expense	<b>(7,106)</b>	(13,843)
Income tax expense as reported in the interim condensed consolidated statement of profit or loss	<b>328,442</b>	349,991

The share of tax attributable to an associate and a joint venture amounting to approximately nil (six months ended 30 June 2021: RMB4,000) and RMB1,885,000 (six months ended 30 June 2021: RMB2,235,000), respectively, is included in "Share of profit and loss of an associate" and "Share of profit and loss of a joint venture" in the consolidated statement of profit or loss.

## 8. DIVIDENDS

A final dividend of HK\$0.36 per share totalling HK\$680,954,000 (equivalent to RMB578,512,000) in respect of the year ended 31 December 2021 had been approved at the annual general meeting of the Company held on 7 June 2022 and was paid on 15 June 2022.

The board of directors resolved not to declare any interim dividend to shareholders in respect of the period for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

Basic earnings per share for the six months ended 30 June 2022 and 2021 are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the respective periods.

The calculation of 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, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, 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:

### Earnings

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,089,365	1,049,956
Interest on convertible bonds	18,386	9,587
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	1,107,751	1,059,543

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

### Shares

	Number of shares	
	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<b>1,891,539,661</b>	1,827,030,043
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	1,303,260
Convertible bonds	<b>182,643,312</b>	177,210,365
Weighted average number of ordinary shares for diluted earnings per share	<b>2,074,182,973</b>	2,005,543,668

	For the six months ended 30 June	
	2022	2021
	RMB	RMB
	(Unaudited)	(Unaudited)
Basic earnings per share	<b>0.58</b>	0.57
Diluted earnings per share	<b>0.53</b>	0.53

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a total cost of RMB688,286,000 (six months ended 30 June 2021: RMB206,775,000), including those through acquisition of subsidiaries.

The property, plant and equipment disposed of by the Group during the six months ended 30 June 2022 was RMB269,000 (30 June 2021: Nil), resulting in a net loss on disposal of RMB211,000 (30 June 2021: Nil).

## 11. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Financial assets</b>		
<b>Financial assets at amortised cost:</b>		
Loans and accounts receivables	65,443,530	60,565,317
Financial assets included in prepayments, deposits and other receivables	345,660	321,350
Restricted deposits	939,228	954,862
Cash and cash equivalents	3,679,646	2,342,078
<b>Financial assets at fair value through profit or loss:</b>		
Derivative financial instruments	93,850	–
Financial assets at fair value through profit or loss	249,035	366,470
<b>Hedging instruments designated in cash flow hedges:</b>		
Derivative financial instruments designated as cash flow hedges	112,094	6,915
<b>Total</b>	<b>70,863,043</b>	<b>64,556,992</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost:</b>		
Trade and bills payables	2,050,641	1,111,983
Financial liabilities included in other payables and accruals	5,282,328	4,579,061
Convertible bonds – host debts	937,957	882,689
Interest-bearing bank and other borrowings	48,553,506	43,289,882
<b>Financial liabilities at fair value through profit or loss:</b>		
Derivative financial instruments	–	238,120
<b>Hedging instruments designated in cash flow hedges:</b>		
Derivative financial instruments designated as cash flow hedges	205,046	316,097
<b>Total</b>	<b>57,029,478</b>	<b>50,417,832</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 12. LOANS AND ACCOUNTS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Loans and accounts receivables due within one year	22,466,994	21,046,689
Loans and accounts receivables due after one year	42,976,536	39,518,628
	<b>65,443,530</b>	60,565,317

#### 12a. Loans and accounts receivables by nature

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Gross lease receivables ( <i>note 12b</i> )	9,264,224	11,581,268
Less: Unearned finance income	(1,543,104)	(1,523,108)
Net lease receivables ( <i>note 12b</i> )**	7,721,120	10,058,160
Long-term receivables arising from sale-and-leaseback arrangements ( <i>note 12c</i> )**	56,623,159	50,169,353
Factoring receivable ( <i>note 12d</i> )**	1,460,473	900,094
Subtotal of interest-earning assets	65,804,752	61,127,607
Accounts receivables ( <i>note 12e</i> )*	1,220,257	882,565
Notes receivables ( <i>note 12f</i> )	1,500	759
Subtotal of loans and accounts receivables	67,026,509	62,010,931
Less:		
Provision of lease receivables ( <i>note 12h</i> )	(778,008)	(757,343)
Provision for long-term receivables arising from sale-and-leaseback arrangements ( <i>note 12h</i> )	(774,271)	(665,396)
Provision of factoring receivables ( <i>note 12h</i> )	(17,017)	(9,542)
Provision of accounts receivables ( <i>note 12e</i> )	(13,683)	(13,333)
Total	<b>65,443,530</b>	60,565,317

\* These balances included balances with a related party which are disclosed in note 12i to the interim condensed consolidated financial information.

\*\* These balances are included in the interest-earning assets as disclosed in note 12g.

**12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)**

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Gross lease receivables 3 years and beyond	<b>9,264,224</b>	11,581,268
<b>Total</b>	<b>9,264,224</b>	11,581,268
Net lease receivables 3 years and beyond	<b>7,721,120</b>	10,058,160
<b>Total</b>	<b>7,721,120</b>	10,058,160



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### 12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Gross lease receivables		
Due within 1 year	<b>5,603,658</b>	7,168,599
Due in 1 to 2 years	<b>2,524,988</b>	3,648,919
Due in 2 to 3 years	<b>891,859</b>	630,256
Due after 3 years	<b>243,719</b>	133,494
<b>Total</b>	<b>9,264,224</b>	11,581,268
Net lease receivables		
Due within 1 year	<b>4,503,467</b>	6,061,836
Due in 1 to 2 years	<b>2,274,420</b>	3,355,899
Due in 2 to 3 years	<b>794,021</b>	574,388
Due after 3 years	<b>149,212</b>	66,037
<b>Total</b>	<b>7,721,120</b>	10,058,160

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

As at 30 June 2022, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB1,834,475,000 and RMB1,544,915,000 respectively (as at 31 December 2021: RMB1,308,453,000 and RMB1,212,912,000).

**12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)**

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 1 year	<b>25,816,715</b>	26,114,907
1 to 2 years	<b>19,845,789</b>	13,874,035
2 to 3 years	<b>7,343,269</b>	10,180,411
Due after 3 years	<b>3,617,386</b>	–
<b>Total</b>	<b>56,623,159</b>	50,169,353

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Due within 1 year	<b>16,603,930</b>	14,371,463
Due in 1 to 2 years	<b>15,790,679</b>	13,446,498
Due in 2 to 3 years	<b>12,176,760</b>	11,715,243
Due after 3 years	<b>12,051,790</b>	10,636,149
<b>Total</b>	<b>56,623,159</b>	50,169,353

As at 30 June 2022, 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 RMB5,397,702,000 (amount as at 31 December 2021: RMB5,382,843,000)

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### 12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	857,091	888,730
1 to 2 years	603,382	11,364
Total	1,460,473	900,094

12e. (1) An ageing analysis of the accounts receivable, determined based on the ageing of the receivables since the recognition date of the accounts receivable, as at the end of the reporting period is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	1,158,123	850,350
More than 1 year	62,134	32,215
Total	1,220,257	882,565

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

## 12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

### 12e. (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 30 June 2022 (Unaudited)	Ageing		Total
	Within 1 year	Over 1 year	
Gross carrying amount (RMB'000)	1,158,123	62,134	1,220,257
Expected credit loss (RMB'000)	1,181	12,502	13,683
Average expected credit loss rate	0.10%	20.12%	1.12%

As at 31 December 2021 (Audited)	Ageing		Total
	Within 1 year	Over 1 year	
Gross carrying amount (RMB'000)	849,462	33,103	882,565
Expected credit loss (RMB'000)	1,202	12,131	13,333
Average expected credit loss rate	0.14%	36.65%	1.51%

12f. An ageing analysis of notes receivables, determined based on the ageing of receivables since the recognition date, as at the end of the reporting period is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	1,500	759

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### 12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

#### 12g. Analysis of interest-earning assets by assessment

As at 30 June 2022 (Unaudited)	Stage I (12-month ECL) RMB'000	Stage II (Lifetime ECL) RMB'000	Stage III (Lifetime ECL- impaired) RMB'000	Total RMB'000
Total interest-earning assets	58,482,799	6,481,279	840,674	65,804,752
Allowance for impairment losses	(648,902)	(545,564)	(374,830)	(1,569,296)
Interest-earning assets, net	57,833,897	5,935,715	465,844	64,235,456

As at 31 December 2021 (Audited)	Stage I (12-month ECL) RMB'000	Stage II (Lifetime ECL) RMB'000	Stage III (Lifetime ECL- 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

## 12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

### 12h. Change in provision for interest-earning assets

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

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

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 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.

## 12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

### 12h. Change in provision for interest-earning assets (continued)

	Six months period ended 30 June 2022			
	Stage I	Stage II	Stage III	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL-	
	RMB'000	RMB'000	impaired)	
(Unaudited)	(Unaudited)	(Unaudited)		
At beginning of the period	589,413	498,358	344,510	1,432,281
Impairment losses for the period	56,552	35,279	45,184	137,015
Conversion to Stage I	35,879	(35,879)	–	–
Conversion to Stage II	(32,942)	65,790	(32,848)	–
Conversion to Stage III	–	(17,984)	17,984	–
At end of the period	648,902	545,564	374,830	1,569,296

	Year ended 31 December 2021			
	Stage I	Stage II	Stage III	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL-	
	RMB'000	RMB'000	impaired)	
(Audited)	(Audited)	(Audited)		
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

**12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)****12i. BALANCE WITH A RELATED PARTY**

The balance of loans and accounts receivables of the Group includes the balance with a related party is as follows:

Accounts receivable:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
China National Instruments Import & Export (Group) Corporation	<b>1,805</b>	1,805

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

The balance with the related party is unsecured, interest-free and repayable on demand.



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### 13. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	4,468,874	3,123,940
Time deposits	150,000	173,000
	<b>4,618,874</b>	3,296,940
Less:		
Pledged deposits and restricted bank deposits	(789,228)	(781,862)
Time deposits with original maturity of more than three months	(150,000)	(173,000)
<b>Cash and cash equivalents</b>	<b>3,679,646</b>	2,342,078

As at 30 June 2022, the cash and bank balances of the Group denominated in RMB amounted to RMB4,405,187,000 (31 December 2021: RMB2,910,903,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2022, cash of RMB789,228,000 (31 December 2021: RMB781,862,000) was pledged for bank and other borrowings.

As at 30 June 2022, cash of RMB1,258,240,000 (31 December 2021: RMB1,491,458,000) was deposited with Genertec Finance Co., Ltd., which is a related party.

## 14. TRADE AND BILLS PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	2,002,648	1,111,819
Bills payable	37,300	–
Due to related parties ( <i>note 14a</i> )	10,693	164
	<b>2,050,641</b>	<b>1,111,983</b>

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	1,976,513	1,055,530
1 to 2 years	39,471	29,456
2 to 3 years	8,792	6,289
Over 3 years	25,865	20,708
	<b>2,050,641</b>	<b>1,111,983</b>

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### 14. TRADE AND BILLS PAYABLES (CONTINUED)

#### 14a. BALANCES WITH RELATED PARTIES

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Trade and bills payables:		
China Xinxing Construction Engineering Co., Ltd.	<b>10,299</b>	–
Genertec Europe Temax GmbH	<b>241</b>	–
Genertec International Logistics Co., Ltd.	<b>78</b>	87
Genertec Italia s.r.l.	<b>75</b>	77
	<b>10,693</b>	164

The above related parties are subsidiaries of Genertec Group.

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

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### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – secured	3.65	2022	200,000	3.65	2022	90,000
– unsecured	2.80~4.00	2022	3,751,500	0.92~4.55	2022	3,787,871
Current portion of long-term bank loans:						
– secured	3.48~4.99	2022~2023	1,782,812	3.60~4.99	2022	1,518,722
– unsecured	1.25~4.45	2022~2023	3,060,679	1.59~4.60	2022	3,124,284
Lease liabilities						
– secured	3.85~4.50	2022~2023	324,866	3.85~5.04	2022	1,079,488
– unsecured	4.75~4.90	2022~2023	30,634	4.75~4.90	2022	40,674
Bonds payable						
– unsecured	2.00~4.30	2022~2023	7,541,205	2.60~4.19	2022	4,854,782
Due to a related party						
– unsecured	4.00	2022	250,000	4.00	2022	250,000
			16,941,696			14,745,821
Non-current:						
Bank loans – secured	3.48~4.99	2023~2027	3,315,422	3.60~4.99	2023~2026	2,813,112
– unsecured	1.25~4.25	2023~2025	16,828,754	0.88~4.45	2023~2024	12,973,292
Bonds payable						
– unsecured	3.18~4.50	2024~2027	8,754,467	3.40~4.50	2023~2025	9,952,772
Lease liabilities						
– secured	3.85	2023	600,000	3.85	2023	756,456
– unsecured	4.75~4.90	2023~2031	20,887	4.75~4.90	2023~2030	23,289
Due to a related party						
– unsecured	2.84~4.00	2024	2,092,280	1.92~4.00	2023~2024	2,025,140
			31,611,810			28,544,061
Convertible bonds						
– host debts	2.00	2026	937,957	2.00	2026	882,689
			32,549,767			29,426,750
			49,491,463			44,172,571

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	8,794,991	8,520,877
In the second year	8,762,676	6,818,187
Beyond three years	11,381,500	8,968,217
	<b>28,939,167</b>	24,307,281
Other borrowings repayable:		
Within one year	8,146,705	6,224,944
In the second year	1,262,696	760,903
Beyond three years	11,142,895	12,879,443
	<b>20,552,296</b>	19,865,290
	<b>49,491,463</b>	44,172,571

*Notes:*

- (a) As at 30 June 2022, the Group's bank and other borrowings secured by loans and accounts receivables and cash and bank balances and time deposits were RMB6,223,100,000 (31 December 2021: RMB6,257,778,000).
- (b) As at 30 June 2022, the principal amount of the Group's borrowings from a related party were RMB2,342,280,000 from Genertec HONGKONG International Capital Limited (31 December 2021: RMB2,275,140,000 from Genertec HONGKONG International Capital Limited).
- (c) As at 30 June 2022, China General Technology (Group) Holding Co., Ltd. provided a comfort letter for bank borrowings in the amount of RMB14,911,665,000 (31 December 2021: RMB11,105,434,000).

## 16. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Issued and fully paid ordinary shares	1,891,539,661	1,891,539,661	5,297,254	5,297,254

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

	Number of shares in issue	Share capital RMB'000
As at 1 January 2022 and 31 December 2021(Audited)	1,891,539,661	5,297,254
As at 30 June 2022 (Unaudited)	1,891,539,661	5,297,254
As at 1 January 2021 and 31 December 2020 (Audited)	1,716,304,580	4,327,842
Issue of shares	175,235,081	969,412
As at 31 December 2021 (Audited)	1,891,539,661	5,297,254

## 17. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity.

### Capital reserve

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

### Statutory reserve

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

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

### Exchange fluctuation reserve

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

### 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 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.

## 17. RESERVES (CONTINUED)

### 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.

## 18. CONTINGENT LIABILITIES

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

## 19. PLEDGE OF ASSETS

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

## 20. COMMITMENTS

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

### (a) Capital commitments

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for	1,682,601	1,645,398

### (b) Credit commitments

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Credit commitments	1,473,000	6,690,000

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



## 21. RELATED PARTY TRANSACTIONS

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

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

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

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

#### (i) Prepayments, other receivables and other assets

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Due from related parties</b>		
Beijing Xincai Hospital	15,000	15,000
Beijing 618 Hospital	890	1,419
Paryocean Properties Co., Ltd.	308	294
China National Instruments Import & Export (Group) Corporation	121	121
Genertec Finance Co., Ltd.	89	122
	<b>16,408</b>	<b>16,956</b>

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

**21. RELATED PARTY TRANSACTIONS (CONTINUED)****(a) Transactions and balances with Genertec Group and companies under Genertec Group (continued)****(ii) Other payables and accruals**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Due to related parties</b>		
Genertec Hong Kong International Capital Limited	15,165	14,068
China National Instruments Import & Export (Group) Corporation	31	–
	<b>15,196</b>	14,068

The balances with related parties were unsecured, interest-free and repayable based on the payment schedule agreed between the Group and the parties.

**(iii) Interest income from cash in a bank**

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Genertec Finance Co., Ltd.	7,523	2,143

The interest was charged at rates ranging from 0.55% to 1.65% per annum.

## 21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
China Xinxing Construction Engineering Co., Ltd.	17,651	–
Genertec Europe Temax GmbH	241	8
China National Instruments Import & Export (Group) Corporation	69	–
Genertec Italia s.r.l.	–	1,050
	<b>17,961</b>	<b>1,058</b>

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

#### (v) Rental as a lessee

	For the six months ended 30 June	
	2022 RMB'000 (rental payment) (Unaudited)	2021 RMB'000 (rental payment) (Unaudited)
Paryocean Properties Co., Ltd.	608	604
China National Instruments Import & Export (Group) Corporation	102	231
	<b>710</b>	<b>835</b>

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

**21. RELATED PARTY TRANSACTIONS (CONTINUED)****(a) Transactions and balances with Genertec Group and companies under Genertec Group (continued)****(vi) Interest expenses**

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Genertec Hong Kong International Capital Limited	34,039	24,382
China General Technology (Group) Holding Co., Ltd.	–	12,294
	<b>34,039</b>	<b>36,676</b>

The interest expenses were charged at rates from ranging 2.84% to 4.00% per annum.

**(vii) Consulting service fees**

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Genertec (UK) Limited	87	–

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

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

## 21. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Significant transactions with other government-related entities

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

During the reporting period, the Group's significant transactions with other government-related entities constituted a large portion of finance lease services and advisory services. In addition, substantially all restricted deposits, time deposits cash and cash equivalents and borrowings as at 30 June 2022 and 31 December 2021 and the relevant interest earned and paid during the six months ended 30 June 2022 and 2021 were transacted with banks and other financial institutions which are controlled by the PRC government.

### (c) Transactions and balances with a company under CITIC Capital Holdings Limited

CITIC Capital Holdings Limited is one of the major shareholders of the Company. CCP Leasing II Limited is the subsidiary of CITIC Capital Holdings Limited. CCP Leasing II Limited as subscriber completed in relation to the subscription of the guaranteed convertible bonds in an aggregate principal amount of USD150,000,000 on 25 March 2021. As at 30 June 2022, the principal amount of the convertible bonds was USD150,000,000 (As at 31 December 2021: USD150,000,000). The interest payment was RMB9,704,000 during the six months ended 30 June 2022 (30 June 2021: nil).

**21. RELATED PARTY TRANSACTIONS (CONTINUED)****(d) Transaction and balance with a joint venture:****(i) Other payables and accruals**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Due to a related party</b>		
Sichuan Huankang Hospital Management Co., Ltd.	439,622	452,572

The balance with a related party was unsecured and repayable based on the payment schedule agreed between the Group and the related party.

**(ii) Interest expense**

	For the six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Sichuan Huankang Hospital Management Co., Ltd.	6,802	6,617

The interest expense was charged at rate 3.20% per annum.

**(e) Compensation of key management personnel of the Group:**

	For the six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	6,522	5,314
<b>Total compensation</b>	<b>6,522</b>	<b>5,314</b>

## 22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

### Financial instruments not measured at fair value

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

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

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

***Lease receivables, long-term receivables arising from sale-and-leaseback arrangements, factoring receivables and long-term interest-bearing bank and other borrowings excluding bonds issued***

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

## 22. 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*

The fair values of the bonds and convertible bonds-host debts were calculated based on quoted market prices or a discounted cash flow model that is based on a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued and convertible bonds – host debts which are not presented at fair value in the statement of financial position.

	Carrying amounts		Fair values	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bonds issued	16,295,672	14,807,554	16,374,277	14,883,502
Convertible bonds – host debts	937,957	882,689	943,394	896,206
	<b>17,233,629</b>	15,690,243	<b>17,317,671</b>	15,779,708

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

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



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

### Financial instruments measured at fair value

#### *Interest rate swap contracts*

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

#### *Forward currency contracts*

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

#### *Cross-currency interest rate swaps*

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

### 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)

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

### Fair value hierarchy (continued)

#### *Assets and liabilities measured at fair value:*

As at 30 June 2022 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	249,035	–	249,035
Derivative financial assets				
– Forward currency contracts	–	137,533	–	137,533
– Interest rate swap contracts	–	54,924	–	54,924
– Cross-currency interest rate swaps	–	13,487	–	13,487
		205,944		205,944
	–	454,979	–	454,979
Derivative financial liabilities				
– Forward currency contracts	–	205,046	–	205,046

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

### Fair value hierarchy (continued)

#### *Assets and liabilities measured at fair value: (continued)*

As at 31 December 2021 (Audited)

	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

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

### Fair value hierarchy (continued)

#### *Liabilities for which fair values are disclosed:*

#### As at 30 June 2022 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	16,374,277	–	–	16,374,277
Convertible bonds – host debts	–	943,394	–	943,394
	16,374,277	943,394	–	17,317,671

#### As at 31 December 2021 (Audited)

	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

During the six months ended 30 June 2022, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (year ended 31 December 2021: Nil).

## 23. EVENTS AFTER THE REPORTING PERIOD

- (a) Upon the transaction on 1 March 2022, Genertec Minmetals Co., Ltd., is owned as to 46% by Hospital Investment Co., Ltd., 44% by Minmetals Shareholders and 10% by CITIC Capital Equity Investment (Tianjin) Corporation Limited (“CITIC Capital (Tianjin)”).

On 30 July 2022, Hospital Investment Co., Ltd. entered into the equity transfer agreements with Minmetals Shareholders and CITIC Capital (Tianjin), pursuant to which Minmetals Shareholders has conditionally agreed to sell a total of 44% of the equity interest in Genertec Minmetals Co., Ltd. for a total consideration of RMB1,096.2 million and CITIC Capital (Tianjin) has conditionally agreed to sell a total of 10% of the equity interest in Genertec Minmetals Co., Ltd. at nil consideration. Hospital Investment Co., Ltd. agreed to acquire such equity interest.

Upon completion, Genertec Minmetals Co., Ltd. will be owned as to 100% by Hospital Investment Co., Ltd., and accordingly, become an indirect wholly owned subsidiary of the Company.

- (b) On 30 August 2016, the Group entered into a cooperation agreement with First Affiliated Hospital of Xi’an Jiaotong University (“First Affiliated Hospital”), 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”), and 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.

On 5 August 2022, the Group and First Affiliated Hospital entered into a termination agreement, pursuant to which the cooperation agreement was terminated on 5 August 2022.

## 24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 30 August 2022.



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