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

2023 ANNUAL REPORT

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairwoman and Vice-chairman

Ms. Peng Jiahong *(Chairwoman)*
Mr. Chan Kai Kong *(Vice-chairman)*

Executive Directors

Ms. Peng Jiahong
Mr. Wang Wenbing *(Chief Executive Officer)*
Ms. Wang Lin(1)
Mr. Yu Gang(2)

Non-executive Directors

Mr. Chan Kai Kong
Mr. Tong Chaoyin
Mr. Xu Ming
Mr. Zhu Ziyang

Independent Non-executive Directors

Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Xu Zhiming
Mr. Chan, Hiu Fung Nicholas

(1) Appointed with effect from 25 July 2023
(2) Resigned with effect from 21 June 2023

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Chow Siu Lui *(Chairman)*
Mr. Chan Kai Kong
Mr. Xu Ming
Mr. Li Yinquan
Mr. Xu Zhiming

NOMINATION COMMITTEE

Ms. Peng Jiahong *(Chairwoman)*
Mr. Xu Ming
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Chan, Hiu Fung Nicholas

STRATEGY COMMITTEE

Ms. Peng Jiahong *(Chairwoman)*
Mr. Chan Kai Kong
Mr. Zhu Ziyang

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

20th to 28th Floor
No. 90, Side Road of West Third Ring Middle Road
Fengtai 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

STOCK CODE

2666

DEFINITIONS

"2024 AGM"	the annual general meeting of the Company to be held in 2024
"Ansteel General Hospital"	Ansteel Group General Hospital (鞍鋼集團公司總醫院), a leading Grade III Class A general hospital in Anshan City, Liaoning Province, the PRC
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"CG Code"	the "Corporate Governance Code" contained in Appendix C1 (formerly Appendix 14) to the Listing Rules
"CITIC Capital"	CITIC Capital Holdings Limited
"CITIC Capital (Tianjin)"	CITIC Capital Equity Investment (Tianjin) Corporation Limited (中信資本股權投資(天津)股份有限公司)
"CITIC CPL"	CITIC Capital Partners Limited
"CNTIC"	China National Technical Import & Export Corporation (中國技術進出口集團有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of GT-PRC
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong, which has become effective from 3 March 2014), as amended, supplemented or otherwise modified from time to time
"Company" or "Universal Medical"	Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) (formerly known as Universal Medical Financial & Technical Advisory Services Company Limited (環球醫療金融與技術咨詢服務有限公司), Universal Medical Services & Health Management Company Limited (環球醫療服務有限公司) and Universal International Leasing Co., Limited (環球國際租賃有限公司)), a company incorporated with limited liability under the laws of Hong Kong on 19 April 2012
"CULC"	China Universal Leasing Co., Ltd. (中國環球租賃有限公司), a wholly foreign-owned enterprise incorporated in China on 1 November 1984 and a wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company

"Evergreen"	Evergreen021 Co., Ltd, a company incorporated under the laws of the British Virgin Islands on 14 August 2014 with limited liability
"ESG"	environmental, social and governance
"Genertec Minmetals"	Genertec Minmetals Hospital Management (Beijing) Company Limited (通用五礦醫院管理(北京)有限公司)
"Group", "we" or "us"	the Company and its subsidiaries
"GT-HK"	Genertec Hong Kong International Capital Limited (通用技術集團香港國際資本有限公司), a company incorporated under the laws of Hong Kong on 24 March 1994 with limited liability, an indirect wholly-owned subsidiary of GT-PRC, and one of the controlling shareholders of the Company
"GT-PRC"	China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), which is a state-owned enterprise under the direct administration of the PRC central government, the ultimate controlling shareholder of the Company
"GT-PRC Finance"	Genertec Finance Co., Ltd (通用技術集團財務有限責任公司), a company established in the PRC and held by GT-PRC and CNTIC as to 95% and 5%, respectively
"GT-GMMT"	Genertec Technology Group Medical Management Technology Co., Ltd. (通用技術集團健康管理科技有限公司), a company established in the PRC
"GUHID"	Genertec Universal Healthcare Industry Development (Tianjin) Co., Ltd. (通用環球健康產業發展(天津)有限公司), a limited liability company incorporated in the PRC and a wholly owned subsidiary of the Company
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hospital Investment Co., Ltd"	Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. (通用環球醫院投資管理(天津)有限公司), previously known as Wiseman Hospital Investment Management (Tianjin) Co., Ltd. (融慧濟民醫院投資管理(天津)有限公司), a wholly-owned subsidiary of the Company established in the PRC in 2015
"Liaoning Xingye"	Liaoning Xingye Pharmaceutical Co., Ltd. (遼寧興業醫藥有限公司), a limited liability company incorporated in the PRC and a subsidiary of the Company
"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
"Minmetals Shareholders"	Certain subsidiaries of China Minmetals Corporation (中國五礦集團有限公司)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 (formerly Appendix 10) to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China"	The People's Republic of China, for the purpose of this report, excluding Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus issued by the Company on 24 June 2015
"Remuneration Committee"	the remuneration committee of the Board
"Risk Control Committee"	the risk control committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Securities Dealing Code"	the Company's own code of conduct regarding directors' and employees' dealings in the Company's securities
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme adopted by the Company on 31 December 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"TCM"	traditional chinese medicine
"USD"	United States dollars, the lawful currency of the United States
"Xinxing Construction"	China Xinxing Construction & Development Co., Ltd. (中國新興建設開發有限責任公司), a state-owned enterprise which is ultimately beneficially owned by GT-PRC
"Zhongxing Hospital"	Beijing Zhongxing Hospital of China Xinxing Construction & Development Co., Ltd. (中國新興建設開發有限責任公司北京中興醫院)
"%"	per cent

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 financial services so as to gradually build a shared and win-win healthcare industrial ecosystem.

"Safeguarding Health and Wellness through Quality Healthcare" is the business mission we always implement. We give full play to the advantages of central state-owned enterprises in running medical care, and provide people with quality medical services which are safe, effective, accessible, and humanistic. Now we have 67 medical institutions distributed in 14 provinces and municipalities covering Shaanxi, Shanxi, Sichuan, Liaoning, Anhui, Hebei, Beijing and Shanghai. Among these institutions, there are five Grade III Class A hospitals and 32 Grade II hospitals, with a capacity of over 16,000 beds in total.

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

STATEMENT FROM THE CHAIRWOMAN OF THE BOARD

Dear Shareholders,

Time forcefully engraved our firm steps forging ahead. In the past year, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core, we achieved a smooth transition in our COVID-19 response efforts across the country. We accomplished the main targets and tasks for economic and social development and made steady progress in pursuing high-quality development. Having weathered the storm, the Chinese economy is more resilient and dynamic than before. Faced with internal and external opportunities and challenges, Universal Medical maintained strategic focus, proactively served for and integrated into the new development pattern, and made steady progress in promoting the high-quality development of central state-owned enterprises in running medical care and integration of industry and finance, striving to realize our own value in serving the people's needs for a better life. In 2023, the Company recorded a revenue of RMB13,650 million, representing a year-on-year increase of 13.1%, a net profit of RMB2,199 million, representing a year-on-year increase of 5.4%, and a return on total assets (ROA) of 2.8% and a return on equity attributable to ordinary shareholders (ROE) of 13.63% respectively. The healthcare business in particular achieved remarkable results, with its contribution to the total revenue keeping increasing, and the net profit attributable to ordinary equity holders increasing by 45.8%. The indicators of our income and the assets conditions have demonstrated steady and excellent performance, and our principal business made steady progress in growth while ensuring stability, delivering an inspiring answer sheet for development.

In 2023, we scaled new heights with tenacity and persistence. Sticking to strategic goals and focusing on value creation, we pushed forward the implementation of various tasks with unwavering determination and courage to win and scored new achievements in the development of principal business. In terms of our **finance business,** insisting on the functional positioning of serving the real economy and the development of our principal business, we continued to strengthen the foundation, adjust the structure, eliminate risks, and intensify and refine our efforts to further optimize our business structure in close alignment with customer needs. As a result, our key operation indicators such as asset quality, profitability and so on remained at a leading position in the industry, and the integration of industry and finance achieved new breakthroughs, thus consolidating the foundations for high-quality development. As for the **integrated healthcare sector,** focusing on meeting the multi-level and diversified medical and health needs of the people, we continued to strengthen the internal strength and improve quality and efficiency, fully implement the goal of "comfortable environment, top-notch services, advanced technology, and efficient operation". We recorded steady improvement in the "national appraisal" scores of our hospitals, made new achievements in the construction of provincial and municipal key specialties, and accomplished the gradual improvement of refined operation and management system. With the significant improvement of environment and services and the steady rise of employee remunerations, the development model of central SOE in running medical care conglomerate was gradually maturing through successful field tests. We achieved major breakthroughs in the **specialties and industry layout,** and made remarkable progress in core capacity improvement of life cycle management of medical equipment business, becoming the industry leader in the segmented market; we expedited the external expansion trend of nephrology, oncology, ophthalmology, made solid progress in the exploration of operation system and model for TCM and rehabilitation, piloted trials of smart medical care and home care, and speeded up the construction of a shared and win-win health industry ecosystem.

In 2023, we gathered strength and rallied momentum for innovations. Always taking digitalization as an important driving force for innovation and development, we unswervingly promoted our digital transformation. We adhered to the standardized and integrated hospital core system construction, acted as a first-tier player for the building of smart hospitals; we realized gradual improvement of the data middle-end functions with the further expansion of data coverage, enabled the interconnection of medical and healthcare data across institutions and scenarios between doctors and patients; the service model of the Internet health platform has been further improved, achieving a patient-centered, diversified and multi-scenario health service model combining the intelligent medical diagnosis and treatment in the hospital and health management outside the hospital. After years of continuous efforts, we already have the environment and foundation for the sound development of digitalization. **By integrating premium resources and deepening industry layout, we are nurturing and strengthening new drivers of growth.** We continued to strengthen the integration of high-quality internal and external resources, actively supported the growth of specialty disciplines and industry units, and speeded up efforts to build up the second growth curve for our Company. Among them, the life cycle management of medical equipment business has achieved leapfrog development, we successfully merged and acquired industry-leading enterprises, quickly completed business and management integration, and achieved a significant increase in maintenance revenue and profits by serving over 700 customers. Genertec Universal Medical Technology Services (Tianjin) Co., Ltd. has obtained the national high-tech enterprise certification and passed various qualification certifications such as technology-based small and medium-sized enterprises (SMEs) and young-eagle enterprises, and has established cooperation with more than 10 internationally renowned manufacturers to provide strong support for technological innovations. The core competitiveness of "efficient operations + specialized and refinement technology" continued to emerge. **Kept deepening reforms, innovating mechanisms, and continuously improving management efficiency.** We pushed forward the implementation of key tasks in the new round of state-owned enterprise reform, further unleashed the driving forces for high-quality development; we completed the implementation of six sets of regional integration plans to exert greater value through win-win collaboration; proactively implemented the *Work Plan for Improving the Quality of Listed Companies Controlled by Central Enterprises* and relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council, incorporated market value management into the long-term development strategy to improve core competitiveness, and promoted the common growth of intrinsic value and market value.

In 2023, we stayed committed to our original aspiration and pursued the goodness. We carried out themed educational activities on studying and implementing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era in a deep-going way, enhanced cohesion and forged solidarity through studying and understanding these theories, made progress and achievements with concrete and hard-working efforts, and ensured high-quality development under the guidance of high-quality party building. Insisting on putting people and life first, we delivered medicine and healthcare services to grass-root people in villages, campuses, enterprises and communities; we dispatched batches of doctors and nurses to Xinjiang, Tibet and countries along the Belt and Road Initiatives (BRI) to implement "Genertec health, kindness-oriented, quality of Central SOE" with solid actions. We engaged in public welfare activities to demonstrate our commitment to fulfilling social responsibilities as a central state-owned enterprise. Xinyan Charity Fund has helped thousands of patients in difficulties from Northeast China, Northwest China, northern Jiangsu province, Panzhihua-Xichang area and other areas to access medical resources in urgent need. We innovated financial services to promote green transformation, and granted multiple ESG loans and green loans in an effort to facilitate the fulfillment of China's carbon peak and carbon neutrality commitments and sustainable development of economy and society. In addition, we made concrete efforts to work on important ESG issues such as carbon emission reduction, climate change, rural vitalization, employee care, and modern corporate governance, and accumulated rich field experiences in pursuing sustainable development.

2024 marks the 75th anniversary of the founding of the People's Republic of China. It is a critical year for the comprehensive implementation of the "14th Five-Year Plan" and also an important year for Universal Medical to deepen reform and innovation and build a stronger and better healthcare conglomerate. We will focus on strengthening core functions, improving core competitiveness, and better playing the "three roles" (i.e. scientific and technological innovation, industrial control, and security support), and continuously promote the implementation of the overall corporate development strategy based on value creation. Focusing on stabilizing operations, adjusting structure, and controlling risks, we will fully leverage on our advantages in medical resources and equipment management capabilities to provide customers with one-stop financial solutions such as "finance lease + procurement management", contributing to pursuing high-quality development of the integration of industry and finance. Further advancing group management, digital empowerment, and coordinated development, we will adopt more precise and powerful targeted measures to achieve continuous improvement of the development capabilities of medical institutions, and build new advantages for central state-owned enterprises in running medical care. Continuously pooling resources, strengthening capabilities and building up systems, we will combine endogenous development and extensional expansion, and build replicable operational capabilities and influential professional industry brand of specialties. We will further implement actions for deepening and upgrading reforms, push forward the modernization of the corporate governance system and capabilities, and fully unleash the motivation and vitality to pursue development endeavors.

The arduous journey leads to unlimited awesome scenery and a willing heart makes possible a promising future. Embarking on the new journey full of glory and dreams, Universal Medical will continue to uphold fundamental principles and break new ground, stand on solid ground, seize every minute to take actions, and strive to achieve higher quality, more efficient and more sustainable development. We will make greater contributions to serving Healthy China and real economy, giving back to support and trust from customers, shareholders, investors and local communities with concrete actions.

Peng Jiahong

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

PERFORMANCE OVERVIEW

	For the year ended 31 December				
	2023	2022*4	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating Results					
Income	**13,650,203**	12,073,172	9,914,273	8,521,238	6,815,587
Healthcare business income*1/2	**7,832,842**	6,372,252	4,608,377	3,623,001	2,046,942
Finance business income*1/2	**5,882,032**	5,721,203	5,307,546	4,899,669	4,768,645
Cost of sales	**(9,078,344)**	(7,578,878)	(5,714,834)	(4,967,263)	(3,636,505)
Cost of healthcare business*2	**(6,763,527)**	(5,581,491)	(4,022,583)	(3,243,661)	(1,757,074)
Cost of finance business*2	**(2,576,827)**	(2,212,900)	(1,829,066)	(1,840,231)	(1,926,405)
Profit before tax	**2,866,213**	2,703,274	2,691,808	2,365,014	2,211,859
Profit for the year	**2,199,072**	2,085,948	2,030,469	1,813,910	1,634,392
Profit for the year attributable to owners of the parent	**2,020,918**	1,888,417	1,835,233	1,647,537	1,488,736
Basic earnings per share (RMB)	**1.07**	1.00	0.99	0.96	0.87
Diluted earnings per share (RMB)*3	**0.99**	0.93	0.91	0.96	0.87
Profitability Indicators					
Return on total assets(1)	**2.80%**	2.84%	3.09%	3.04%	3.11%
Return on equity(2)	**13.63%**	13.95%	15.37%	16.26%	16.65%
Net interest margin(3)	**3.16%**	3.67%	4.40%	4.27%	3.79%
Net interest spread(4)	**2.64%**	3.24%	3.91%	3.72%	3.28%

*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

*4 The Company adjusted the relevant financial statements for the year of 2022 retrospectively due to the business combinations under common control

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

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

(3) Net interest margin = net interest income/average balance of interest-earning assets;

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

	31 December 2023 RMB'000	31 December 2022 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000
Assets and Liabilities					
Total assets	**80,344,744**	76,980,328	69,899,801	61,511,013	57,852,542
Net interest-earning assets	**67,348,585**	65,233,831	61,127,607	54,650,222	49,785,639
Total liabilities	**59,976,786**	57,259,507	52,276,546	46,545,678	44,405,334
Interest-bearing bank and other borrowings	**47,649,600**	46,911,383	44,172,571	39,981,341	38,002,843
Total equity	**20,367,958**	19,720,821	17,623,255	14,965,335	13,447,208
Equity attributable to owners of the parent	**15,677,741**	13,980,382	13,103,989	10,770,514	9,489,304
Net assets per share (RMB)	**8.29**	7.39	7.05	6.28	5.53
Financial Indicators					
Debt ratio[1]	**74.65%**	74.38%	74.79%	75.67%	76.76%
Gearing ratio[2]	**2.34**	2.38	2.51	2.67	2.83
Current ratio[3]	**1.02**	1.06	1.33	0.94	1.10
Asset Quality					
Non-performing assets ratio[4]	**0.98%**	0.99%	0.98%	1.00%	0.90%
Provision coverage ratio[5]	**284.55%**	263.11%	238.29%	205.52%	198.46%
Write-off of non-performing assets ratio[6]	**0.00%**	7.00%	0.00%	9.34%	0.00%
Ratio of overdue interest-earning assets (over 30 days)[7]	**0.89%**	0.86%	0.76%	0.94%	0.84%

(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 = non-performing assets/net interest-earning assets;

(5) Provision coverage ratio = provision for interest-earning assets/non-performing assets;

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Universal Medical is a listed company controlled by a central enterprise and focusing on healthcare industry. As of 31 December 2023, Universal Medical (i) operated 67 medical institutions, and provided the public with quality medical services; (ii) provided various services such as life cycle management of equipment, specialized medical care and medical digitization; and (iii) offered comprehensive financial solutions centered on finance leasing.

In 2023, the Group continued to expand its footprint in the healthcare sector. The Group stepped forward with keen determination to surmount tough difficulties, spared no efforts to push forward the innovations and development of its businesses, and continued to give back to the society and the Shareholders with steady growth in operating results. The Group recorded a revenue of RMB13,650.2 million in total for the year, up by 13.1% as compared to the corresponding period of the previous year. In particular, the healthcare business recorded a revenue of RMB7,832.8 million, up by 22.9% as compared to the corresponding period of the previous year with the proportion as to the total revenue increasing to 57.4%; the Group recorded a profit for the year of RMB2,199.1 million, up by 5.4% as compared to the corresponding period of the previous year, of which, the healthcare business contributed RMB454.2 million, up by 20.6% as compared to the corresponding period of the previous year; the Group recorded a profit attributable to owners of the parent of RMB2,020.9 million, up by 7.0% as compared to the corresponding period of the previous year, of which, the healthcare business contributed RMB365.4 million, up by 45.8% as compared to the corresponding period of the previous year; and the Group recorded a return on total assets (ROA) of 2.80% and a return on equity attributable to ordinary shareholders (ROE) of 13.63%. The indicators of income and the assets conditions have demonstrated steady and excellent performance. The Group proposed a payment of dividend of HK$0.35 per Share for the year 2023, with the payout ratio of 30%.

1.1 Integrated Healthcare Business Maintained Positive Development Momentum

Medical institutions are not only our core resources to build a healthcare conglomerate, but also the R&D and training center of the Group's discipline operation, as well as the project cultivation and commercialisation pool and the sharing center for basic resources and practice of the industrial units. Giving full play to the advantages of central state-owned enterprises in running medical care and group development, the Group enhanced the cultivation of core capabilities of medical institutions, and spared no efforts in improving the service capability and operation efficiency of the hospital group, so as to facilitate positive and continuous development of the medical institutions, and develop itself into a central state-owned medical group that embodies "comfortable environment, top-notch services, advanced technology and efficient operation".

In terms of financial performance:

The results contributions of the consolidated medical institutions were included in "Integrated healthcare business" segment under the "Healthcare business" segment in the Group's financial report. As of 31 December 2023, the Group had a total of 14,353 consolidated beds (excluding the over 4,000 beds to be built in our internal planning). In 2023, the integrated healthcare business segment maintained positive development momentum by continuously strengthening internal strength and improving efficiency. It contributed to the Group a revenue of RMB7,634.5 million for the year, up by 20.5% as compared to the corresponding period of the previous year; recorded a profit for the year of RMB420.9 million in total, up by 14.7% as compared to the corresponding period of the previous year; and consolidated net profit margin of the medical institutions was 5.10%[1], up by 0.16 percentage point as compared to the corresponding period of the previous year.

In terms of operation performance:

- **Revenue from medical business recorded accelerated growth with continuous increase in income per bed**

  Revenue from medical business contributed by the consolidated medical institutions for the year 2023 amounted to RMB7,232.9 million, representing an increase of 10.0% as compared to the corresponding period of the previous year, 2.4 percentage points higher than the growth rate recorded in 2022. Due to the scale expansion in the number of beds, especially the increase in the number of beds of Grade III Class A hospitals, average income per bed increased to RMB510,000[2] in 2023 from RMB460,000 in 2022, representing an increase of 10.1% as compared to the corresponding period of the previous year. Average income per bed of Grade III Class A hospitals increased to RMB700,000[2] in 2023 from RMB660,000 in 2022, representing an increase of 6.1% as compared to the corresponding period of the previous year.

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1 Without taking into account impact of special factors.

2 Without taking into account the impact of beds operated by the newly opened Fengdong Branch of XD Hospital (西電醫院(灃東院區)).

- **The Group recorded substantial increase in patient visits with enhanced admission and treatment capabilities and significant improvement in operation efficiency**

  In 2023, amidst the improvement in external environment for the development of healthcare business, we made great efforts to improve our treatment technologies and optimise patient visit procedures, achieving certain results in group operation, management and control. The Group recorded a substantial increase of 21.0% to 9.35 million patient visits of the medical institutions at different levels for the year as compared to that of 2022 (without taking into account the visits for nucleic acid test in 2022). With enhanced admission and treatment capabilities and an increase in the outpatient-to-inpatient conversion rate, the hospitals recorded an increase of 21.0% to 0.44 million inpatient visits based on discharge as compared to 2022. The number of surgeries recorded a year-on-year increase of 14.0% to 85,900 as compared to 2022. With further improvement in operation efficiency and service quality as well as patient treatment experience, the average length of stay per inpatient visit decreased to 10.1 days in 2023 from 10.6 days in 2022. Meanwhile, driven by the significant increase in inpatient visits based on discharge, the bed utilisation rate increased by 10 percentage points over 2022 to 90%[3], significantly improving the resource utilisation efficiency.

- **We actively responded to China's requirements for high-quality development of public hospitals with further optimisation of cost structure**

  In the context of the expansion in centralised procurement of medical consumables and deepening reform on medical insurance payment methods, we maintained sustainable growth in revenue driven by rapid growth in business volume, and at the same time placed a focus on the optimisation of cost structure. Through measures such as enhancement of treatment capabilities, pursuit for optimisation and excellence, and proper utilisation of medical consumables and medicine, the proportion of effective medical revenue (有效醫療收入佔比)[4] increased from 56.9% in 2022 to 58.5% in 2023, and the ratio of healthcare business costs as to the revenue decreased by 0.6 percentage point from that of 2022 due to our control on the costs and expenditures of each business, effectively supporting profits increase of the healthcare sector.

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3 Without taking into account the impact of beds operated by the newly opened Fengdong Branch of XD Hospital (西電醫院(灃東院區)).

4 The proportion of effective medical revenue as to medical revenue is calculated as below: effective medical revenue/medical revenue * 100%. Effective medical revenue includes appointment income, bed income, diagnosis income, surgery income, pharmaceutical service income, care income, examination income and laboratory income. Medical revenue represents revenue from provision of medical service activities by the hospitals, including outpatient revenue and inpatient revenue.

1.2 The Group Accelerated the Deployment of Specialties and Healthcare Industry Layout

With the business foundation and professional core talent team of our own hospital group, we strived to build replicable capabilities of specialties and industry operation while serving internal quality and efficiency enhancement, so as to create new growth drivers for the Company. As of 31 December 2023, the result contribution of this business segment mainly comes from providing hospital clients with life cycle management of medical equipment, discipline operation and Internet-based healthcare services. In 2023, the Group accelerated business development and completion of mergers and acquisitions through the parallel implementation of endogenous development and extensional mergers and acquisitions for this segment, and recorded consolidated revenue of RMB243.7 million in aggregate for the year, representing an increase of 190.7% as compared to the corresponding period of the previous year; and recorded profit for the year of RMB31.9 million in aggregate, representing an increase of 271.8% as compared to the corresponding period of the previous year.

We further strengthen and improve specialised medical services layout

- **Nephrology**: focusing on the core positioning of the full-course medical service for kidney diseases, the Group strives to provide core professional services including chronic disease management, the combination of TCM and western medicine, quality control for hemodialysis and vascular access management through implementation of standardized nephrology medical centres driven by digital operation capabilities for specialised discipline, together with the coordinated regional 1+N layout of nephrology specialist hospitals and chain hemodialysis centers, with an aim to meeting the medical needs of patients with kidney disease. In 2023, the Group established a wholly-owned business entity Universal Yuegu (環球悅谷) as the platform to provide nephrology medical services, and empowered the implementation of full-course management approach for kidney diseases in the 21 hospitals operated by the Group, recording a revenue of RMB269.5 million from the integrated healthcare business segment, which represented an increase of 18.9% as compared to the previous year. On the other hand, the Group has completed the acquisitions of Beth Hesda (Chengdu) Nephrology Hospital (畢士大(成都)腎病專科醫院) and the hemodialysis centre of Haiyang Senzhikang Hospital (海陽森之康醫院) and continued to facilitate the acquisition programme of other specialist hospitals and hemodialysis centres.

- **Oncology**: in 2023, the Group cooperated with Mevion Medical Group (邁勝醫療集團), a leading international small-scale proton therapy equipment enterprise, to jointly establish Universal Mevion (環球邁勝), a tumor precision medical service company, as the sole platform to provide oncology radiotherapy services by both parties in the PRC, with an aim to accelerating the establishment of leading accurate oncology diagnosis and treatment business system and intelligent accurate oncology diagnosis and treatment platform in the PRC. The Group, internally, promoted the refined operation of oncology specialties, recording a revenue of RMB158.8 million from the integrated healthcare business segment, representing an increase of 14.8% as compared to the corresponding period of the previous year, while, externally, expanded the chain business scale through investment/construction and facilitated the standardised, collaborative and efficient development of oncology specialties.

Equipment life cycle management business achieved leaping development

Equipment life cycle management business covers maintenance services, medical equipment digital operation and management, economic performance analysis, planning and procurement consultancy, finance leasing, asset management, clinical support and other services, which lays a solid foundation for the high-quality development, quality improvement and efficiency enhancement as well as cost reduction and efficiency enhancement of the hospitals. Currently, the equipment life cycle management market in the PRC has reached nearly RMB100 billion, and its average growth rate is projected to be at least 10% in the coming ten years, of which third party service companies accounted for approximately 30%. Given the highly fragmented market player base with different service capabilities and service quality, the industry presents great opportunities for consolidation and integration, and quality service providers are needed to lead healthy development of the industry. While serving its internal and external hospital clients, the Group has successfully completed the acquisition of Casstar Medical Technology Wuxi Co., Ltd. (凱思軒達醫療科技無錫有限公司) ("Casstar") and Shandong Tuozhuang Medical Technology Co., Ltd. (山東拓莊醫療科技有限公司) and carried out in-depth integration focusing on strategy, market, technology, management, talents, culture and other aspects to foster core capability of "efficient operation + sophisticated technology", with an aim to accelerating the cultivation of leading industry brand of central state-owned enterprises. This business segment has so far served 720 customers across the country with the assets under management of nearly RMB20 billion in aggregate. This segment contributed to the Group a revenue of RMB242.7 million in 2023, up by 241% as compared to the corresponding period of the previous year, and recorded a profit for the year of RMB35.3 million, up by 208% as compared to the corresponding period of the previous year.

Genertec Universal Medical Technology Services (Tianjin) Co., Ltd. (通用環球醫療技術服務(天津)有限公司) and its operating subsidiaries are recognised as "national high-tech service enterprises", and have formed cooperation relationship with over ten domestic and overseas well-known equipment manufacturers and will join hands with China Association of Medical Equipment (中國醫學裝備協會) to commence the formation of industry standards. Through the enhancement of core capabilities and integration of external advantageous resources, the Group is well positioned to become the leader of the sub-segment and play a pivotal role in delivering the advantages of central state-owned enterprises in terms of technology innovations and industry control.

The Group accelerated the digital transformation of the healthcare sector

The Group made great efforts to enhance its product capability and comprehensive digital medical solution capability, and honed the three major systems namely intelligent healthcare, smart management and smart service to provide integrated information system, data middle-end platform/centre and Internet-based healthcare service platform and other products and services for internal and external medical institutions, so as to promote data collection and sharing within the hospital group and offer support for group operation and management. Meanwhile, in a proactive effort to address the issue of ageing population and serve the silver economy, and leveraging on the over 60 medical institutions with a capacity of 16,000 beds operated by it, the Group continued to build an intelligent health and elderly care operation and management system integrating healthcare – elderly care – family through standardised construction and digital means. At the beginning of 2024, the Group completed the acquisition of ShanDong JB Soft & Info Technology Co., Ltd. (山東青鳥軟通信息技術股份有限公司), a leading enterprise in the intelligent elderly healthcare industry in the PRC. Both parties will actively explore the development mode of the combination of health and elderly care by deeply integrating digital technology with medical rehabilitation, disease prevention and elderly healthcare, and build an intelligent health and elderly care service system integrating home – community – institution, with an aim to cultivating a leading dwelling-based intelligent health and elderly care brand in the PRC while empowering the high-quality development of its hospital business, which is expected to develop into an independent business pipeline to create greater value for the Company.

1.3 Finance Business Recorded Steady Growth

The Group's finance business mainly focuses on finance leasing business, and centered on further exploration and development based on the development prospect, profitability, revenue/risk profile, cashflow stability of the industry and other criteria. As the continuous profit contributor of the Group, the finance business will always strive to maintain healthy and steady development while ensuring asset security, serving as the cornerstone for the Group's sustainable development.

2023 marked another competitive and challenging year for the finance leasing industry. By adhering to the functional position of serving the real economy and supporting the development of its principal business, the Group devoted greater efforts to develop high-quality customers, and continued to improve its financing management, achieving steady growth in operating performance despite the negative impact of increasing offshore financing costs as a result of interest rate hikes by the United States Federal Reserve. Revenue from finance business for the year amounted to RMB5,882.0 million in aggregate, representing an increase of 2.8% as compared to the corresponding period of the previous year. Profit for the year amounted to RMB1,744.8 million, representing an increase of 2.1% as compared to the corresponding period of the previous year. We continued to strengthen asset management while maintaining steady operation, so as to keep good asset quality. As of 31 December 2023, our net interest-earning assets reached RMB67,348.6 million, representing an increase of 3.2% as compared to that at the beginning of the year; the non-performing asset ratio was 0.98%; the overdue ratio (30 days) was 0.89%, and the provision coverage ratio was 284.55%.

Although the current domestic and international macro economic environment remains surrounded with many uncertainties, the overall performance of finance business of the Group exhibited strong stability in the previous year, with its key operation indicators such as profitability, asset quality and financing costs remaining at a leading position in the industry. Meanwhile, we'll make full use of the finance business to empower the development of the healthcare industry, and proactively promote coordinated development as well as transformation and innovation of its businesses, so as to lay a solid foundation for the high-quality development of the Company.

1.4 Prospect for 2024

2024 will mark a crucial year for the Group to enhance its ability to create enterprise value as well as to strengthen and optimise the medical and healthcare conglomerate. By grasping every favourable opportunity and capitalising on all favourable conditions, the Group strives to develop into a medical and healthcare conglomerate with financial service capabilities, featured specialty services and differentiated industrial business advantages, and gradually unleashes the value of its various business segments and assets, laying a solid foundation for the achievement of serving a "Healthy China" and the corporate vision of "To Be A Trusted World-class Healthcare Enterprise", with an aim to creating greater returns for all Shareholders.

Appendix:

1. The geographical location of medical institutions managed by the Group as of 31 December 2023

Province	Grade III hospitals	Grade II hospitals	Others (note)	Total
Shaanxi	1	8	9	18
Shanxi	1	4	4	9
Sichuan	1	5	1	7
Anhui	1	2	5	8
Liaoning	1	1	1	3
Hebei	–	5	3	8
Henan	–	1	2	3
Shandong	–	1	1	2
Hunan	–	1	–	1
Jiangsu	–	1	–	1
Shanghai	–	1	–	1
Beijing	–	–	4	4
Zhejiang	–	–	1	1
Chongqing	–	–	1	1
Total	5	30	32	67

2. The operating performance of the consolidated medical institutions during 2021 to 2023

2023

		Visits in 2023			Medical business income in 2023 (RMB ten thousand)				Average index		
Category	Capacity	Outpatient and emergency visits	Inpatient	Visits for medical examination	Outpatient and emergency income	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	4,120	2,770,845	158,146	222,375	88,958	170,026	12,794	272,097	66*	321	10,751
Grade II	8,617	4,291,034	263,577	677,570	131,487	231,960	18,340	383,311	44	306	8,800
Others (note)	1,616	1,254,131	20,153	137,018	49,380	11,243	2,081	67,885	42	394	5,579
Total	14,353	8,316,010	441,876	1,036,963	269,825	413,229	33,215	723,292	50*	324	9,352

2022

Category	Capacity	Visits in 2022: Outpatient and emergency visits**	Visits in 2022: Inpatient	Visits in 2022: Visits for medical examination	Medical business income in 2022 (RMB ten thousand): Outpatient and emergency income	Medical business income in 2022 (RMB ten thousand): Inpatient income	Medical business income in 2022 (RMB ten thousand): Medical examination income	Medical business income in 2022 (RMB ten thousand): Total medical business income (including financial subsidy income)	Average index: Income per bed (RMB ten thousand)	Average index: Outpatient fee per visit (RMB)	Average index: Inpatient fee per visit (RMB)
Grade III	3,716	2,276,798	126,911	160,166	87,795	143,994	9,272	243,914	66	194	11,346
Grade II	8,696	3,585,869	216,276	624,519	138,142	196,589	18,627	354,469	41	248	9,090
Others (note)	1,804	1,002,935	17,249	81,465	41,631	9,854	1,697	59,386	33	415	5,713
Total	14,216	6,865,602	360,436	866,150	267,567	350,437	29,596	657,768	46	241	9,723

2021

Category	Capacity	Visits in 2021: Outpatient and emergency visits	Visits in 2021: Inpatient	Visits in 2021: Visits for medical examination	Medical business income in 2021 (RMB ten thousand): Outpatient and emergency income	Medical business income in 2021 (RMB ten thousand): Inpatient income	Medical business income in 2021 (RMB ten thousand): Medical examination income	Medical business income in 2021 (RMB ten thousand): Total medical business income (including financial subsidy income)	Average index: Income per bed (RMB ten thousand)	Average index: Outpatient fee per visit (RMB)	Average index: Inpatient fee per visit (RMB)
Grade III	3,859	2,844,746	124,370	213,133	82,160	148,347	7,653	238,584	62	289	11,928
Grade II	8,747	3,929,445	214,472	743,637	111,578	192,889	14,331	321,716	37	284	8,994
Others (note)	1,848	984,039	17,352	158,078	35,528	9,798	2,610	51,146	28	361	5,647
Total	14,454	7,758,230	356,194	1,114,848	229,267	351,034	24,594	611,446	42	296	9,855

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

* Without taking into account the impact of beds operated by the newly opened XD Hospital (西電醫院), the income per bed of Grade III hospitals amounted to RMB700,000, and the overall income per bed amounted to RMB510,000

** Outpatient and emergency visits for 2022 has been calculated without taking into account the impact of nucleic acid visits

2. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

2.1 Overview

In 2023, as the domestic economy rebounded, the Group adhered to its established business strategies and made steady progress by seizing development opportunities and overcoming all kinds of challenges. The Group continued to move forward in the field of medical and healthcare, and achieved steady growth in our overall operating results. The Group recorded a revenue of RMB13,650.2 million in total, representing an increase of 13.1% as compared to the corresponding period of the previous year. Profit before tax was RMB2,866.2 million, representing an increase of 6.0% as compared to the corresponding period of the previous year. Profit for the year attributable to owners of the parent was RMB2,020.9 million, representing an increase of 7.0% as compared to the corresponding period of the previous year.

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

	For the year ended 31 December		
	2023 RMB'000	2022* RMB'000	Change %
Income	**13,650,203**	12,073,172	13.1%
Cost of sales	**(9,078,344)**	(7,578,878)	19.8%
Gross profit	**4,571,859**	4,494,294	1.7%
Other income and gains	**620,371**	444,882	39.4%
Selling and distribution costs	**(397,168)**	(441,603)	-10.1%
Administrative expenses	**(1,168,436)**	(913,997)	27.8%
Impairment of financial assets	**(192,099)**	(307,139)	-37.5%
Loss on derecognition of financial assets measured at amortised cost	**(1,624)**	(1,154)	40.7%
Financial costs	**(39,054)**	(35,645)	9.6%
Other expenses	**(534,016)**	(549,826)	-2.9%
Share of (loss)/profit of associates	**(7,069)**	12	-59008.3%
Share of profit of a joint venture	**13,449**	13,450	0.0%
Profit before tax	**2,866,213**	2,703,274	6.0%
Income tax expense	**(667,141)**	(617,326)	8.1%
Profit for the year	**2,199,072**	2,085,948	5.4%
Profit for the year attributable to owners of the parent	**2,020,918**	1,888,417	7.0%
Basic earnings per Share (RMB)	**1.07**	1.00	7.0%
Diluted earnings per Share (RMB)	**0.99**	0.93	6.5%

* The Company adjusted the relevant financial statements for the year of 2022 retrospectively due to the business combinations under common control

2.2 Analysis of Business Revenue

In 2023, the Group recorded revenue of RMB13,650.2 million, among which the healthcare business recorded revenue of RMB7,832.8 million, representing an increase of 22.9% as compared to the corresponding period of the previous year, with its proportion to the total revenue increasing to 57.4%, and the finance business recorded revenue of RMB5,882.0 million, representing an increase of 2.8% as compared to the corresponding period of the previous year and accounting for 43.1% of the total revenue. The Group recorded gross profit from operations of RMB4,571.9 million, among which the healthcare business recorded gross profit of RMB1,069.3 million, representing an increase of 35.2% as compared to the corresponding period of the previous year and a rise of 5.8 percentage points in proportion from the corresponding period of the previous year, while the finance business recorded gross profit from operations of RMB3,305.2 million, representing a decrease of 5.8% 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 year ended 31 December				
	2023		2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Healthcare business	**7,832,842**	**57.4%**	6,372,252	52.8%	22.9%
Finance business	**5,882,032**	**43.1%**	5,721,203	47.4%	2.8%
Offset	**(64,671)**	**-0.5%**	(20,283)	-0.2%	218.8%
Total	**13,650,203**	**100.0%**	12,073,172	100.0%	13.1%

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

	For the year ended 31 December				
	2023		2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Healthcare business	**1,069,315**	**23.4%**	790,761	17.6%	35.2%
Finance business	**3,305,205**	**72.3%**	3,508,303	78.1%	-5.8%
Offset	**197,339**	**4.3%**	195,230	4.3%	1.1%
Total	**4,571,859**	**100.0%**	4,494,294	100.0%	1.7%

2.2.1 Healthcare business

The Group's healthcare business includes integrated healthcare services as well as specialties and healthcare industry business. In 2023, the healthcare business recorded a revenue of RMB7,832.8 million, representing an increase of RMB1,460.6 million or 22.9% as compared to the previous year, and recorded gross profit of RMB1,069.3 million, representing an increase of RMB278.6 million or 35.2% as compared to the previous year.

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

	For the year ended 31 December				
	2023		2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Healthcare business					
Income from integrated healthcare services	**7,634,483**	**97.5%**	6,334,658	99.4%	20.5%
Income from specialties and healthcare industry	**243,728**	**3.1%**	83,844	1.3%	190.7%
Offset	**(45,369)**	**-0.6%**	(46,250)	-0.7%	-1.9%
Total	**7,832,842**	**100.0%**	6,372,252	100.0%	22.9%

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

	For the year ended 31 December				
	2023		2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Healthcare business					
Gross profit from integrated healthcare services	**953,943**	**89.2%**	750,387	94.9%	27.1%
Gross profit from specialties and healthcare industry	**121,523**	**11.4%**	41,087	5.2%	195.8%
Offset	**(6,151)**	**-0.6%**	(713)	-0.1%	762.7%
Total	**1,069,315**	**100.0%**	790,761	100.0%	35.2%

In 2023, the healthcare business of the Group showed a trend of growth momentum, which was attributable to (i) the gradual improvement and positive growth of the overall operation of the hospitals following the improvement of external environment for development of the healthcare business; (ii) the Group's continuous efforts to enhance collaboration across various regions and constantly improve its core competency which laid a further solid foundation for the development of the integrated hospitals, as well as the improvement in the business scale and operation efficiency due to the combined effect of upfront resource investments and improvement in operation and management; and (iii) the rapid development of the specialties and healthcare industry business which empowered the development of the internal hospitals by enhancing service capability and further improved business layout through consolidation of external resources, which facilitated the rapid development of its businesses.

2.2.1.1 *Integrated healthcare business*

Revenue from the Group's integrated healthcare business comes from the integrated healthcare services and supply chain business provided by the consolidated medical institutions. Revenue from healthcare services mainly includes revenue generated from the healthcare and examination, medicine and hygiene materials, physical examination and other services provided for outpatients, emergency patients and inpatients. Costs of healthcare services include costs of medicine and hygiene materials, labor costs as well as depreciation and amortization expenses. In 2023, this business recorded revenue of RMB7,634.5 million, representing an increase of RMB1,299.8 million or 20.5% as compared to the corresponding period of the previous year; and gross profit of RMB953.9 million, representing an increase of RMB203.6 million or 27.1% as compared to the corresponding period of the previous year.

2.2.1.2 *Specialties and healthcare industry business*

Currently, the financial contribution of the specialties and healthcare industry business mainly comes from the provision of life cycle management of medical equipment, operation of specialty disciplines and Internet-based healthcare services to medical institutions within and outside the Group. In 2023, this business recorded a revenue of RMB243.7 million, representing an increase of RMB159.9 million or 190.7% as compared to the corresponding period of the previous year; and gross profit of RMB121.5 million, representing an increase of RMB80.4 million or 195.8% as compared to the corresponding period of the previous year. Looking forward, the Group will continue to enhance its core competitiveness of the equipment life cycle management business, and step up efforts to unleash the value of specialty disciplines such as nephrology, oncology and ophthalmology as well as medical digitalization and other healthcare industry business units.

2.2.2 *Finance business*

The finance business segment includes comprehensive financial solutions centered on finance leasing provided by us for customers, and services such as industry, equipment and financing consulting, and department upgrades in medical institutions. In 2023, the finance business segment recorded a revenue of RMB5,882.0 million, representing an increase of 2.8% as compared to the previous year, and gross profit of RMB3,305.2 million, representing a decrease of 5.8% as compared to the previous year, which was mainly attributable to impact of the interest rate hike policy implemented in the offshore markets on the existing finance costs.

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

	For the year ended 31 December				
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	Change %
Finance business income	**5,882,032**		5,721,203		2.8%
Including:					
Finance service	**4,790,733**	**81.4%**	4,621,389	80.8%	3.7%
Advisory service	**1,025,941**	**17.4%**	1,085,920	19.0%	-5.5%

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

	For the year ended 31 December				
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	Change %
Gross profit from finance business	**3,305,205**		3,508,303		-5.8%
Including:					
Finance service	**2,214,256**	**67.0%**	2,408,448	68.6%	-8.1%
Advisory service	**1,025,941**	**31.0%**	1,085,920	31.0%	-5.5%

2.2.2.1 *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 PRC. In 2023, under a complex and challenging external environment, and with the risk control as a top priority, we stepped up efforts in developing quality customers and continued to optimise our business portfolio, so as to steadily advance the finance business segment. The Group recorded interest income of RMB4,790.7 million, representing an increase of 3.7% as compared to the corresponding period of the previous year, and our gross profit amounted to RMB2,214.3 million, representing a decrease of 8.1% as compared to the corresponding period of the previous year, which was mainly due to the increasing financing costs of existing foreign currency-denominated loans as a result of interest rate hikes implemented by the United States Federal Reserve.

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

	For the year ended 31 December				
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	986,253	20.6%	1,455,050	31.5%	-32.2%
Urban public utility	3,497,952	73.0%	3,014,839	65.2%	16.0%
Other	306,528	6.4%	151,500	3.3%	102.3%
Total	**4,790,733**	**100.0%**	4,621,389	100.0%	3.7%

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

	31 December 2023			31 December 2022		
	Average balance RMB'000	Interest income(1)/ expense(2) RMB'000	Average yield(3)/ cost rate(4)	Average balance RMB'000	Interest income(1)/ expense(2) RMB'000	Average yield(3)/ cost rate(4)
Interest-earning assets	**69,497,954**	**4,792,616**	**6.90%**	64,254,363	4,638,604	7.22%
Interest-bearing liabilities	**60,882,387**	**2,593,740**	**4.26%**	57,434,520	2,283,030	3.98%
Net interest margin(5)	**–**	**–**	**3.16%**	–	–	3.67%
Net interest spread(6)	**–**	**–**	**2.64%**	–	–	3.24%

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

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

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

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

(5) Net interest margin = net interest income/average balance of interest-earning assets;

(6) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities.

In 2023, the Group's net interest spread of finance service business was 2.64%, representing a decrease of 0.6 percentage point from 3.24% 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) the average yield of interest-earning assets was 6.90%, representing a decrease of 0.32 percentage point from 7.22% in the corresponding period of the previous year. On the one hand, the overall profitability of the industry recorded a decrease due to the impact of the policies and market environment, and the average yield of the interest-earning assets showed an overall decrease as compared to the corresponding period of the previous year. On the other hand, faced with complicated financial environment at home and abroad, the Group implemented strict risk control, selected high-quality projects, took proactive initiatives to secure quality customers, made continuous efforts to promote the establishment of a comprehensive risk management system, constantly optimised business structure and facilitated high-quality implementation of various projects.

(2) the average cost rate of interest-bearing liabilities of the Group was 4.26%, representing an increase of 0.28 percentage point from 3.98% for the corresponding period of the previous year, which was mainly due to the impact of interest rate hikes implemented by the United States Federal Reserve. During the year, the Group continued to optimise its financing structure. Leveraging on the current market environment where we experienced an overall recovery of the PRC economy and relatively easy monetary policy, the Group took proactive initiatives to obtain funding in the PRC at low costs, leading to a decrease of 0.49 percentage point in the average cost rate for onshore loans as compared to that at the end of last year. The Group stepped up efforts to make early repayment of its existing foreign currency loans in a timely manner during the year and has made early repayment for an amount of approximately USD715 million in aggregate, leading to steady decrease in the scale of its foreign currency financing, down by 11.0 percentage points from that at the end of last year. In addition, the Group sought for proper opportunity to conduct interest rate swap transaction in the amount equivalent to approximately USD557 million, with the interest rate risk hedging ratio further increasing to 54.87%. 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, make great effort in building efficient financing channels, accelerate the improvement of a diversified financing system, and reasonably and effectively control financing costs on the premise of ensuring sufficient capital liquidity.

2.2.2.2 *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 resources platform, and in accordance with the characteristics of clients' operation at each stage, we provided them 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 customers, thereby strengthening finance customers' stickiness. In 2023, the Group recorded gross profit from advisory services of RMB1,025.9 million, representing a decrease of 5.5% as compared to the corresponding period of the previous year.

2.2.3 *Operating cost*

In 2023, the Group's sales and distribution costs amounted to RMB397.2 million, representing a decrease of 10.1% as compared to the previous year, which was mainly due to the year-on-year decrease in sales and distribution costs as the labour costs of certain staff of the finance business were transferred to administrative expenses as a result of re-designation of their positions in the second half of 2022.

Administrative expenses amounted to RMB1,168.4 million, representing an increase of 27.8% as compared to the previous year, which was mainly attributable to the increase of labour costs. Administrative expenses from finance business segment amounted to RMB498.1 million, accounting for 42.6% and representing an increase of 28.2% as compared to the previous year. Administrative expenses from healthcare business segment amounted to RMB676.1 million, accounting for 57.9% and representing an increase of 27.2% as compared to the previous year.

2.2.4 *Profit before tax*

In 2023, the Group recorded profit before tax of RMB2,866.2 million, representing an increase of RMB162.9 million or 6.0% as compared to the previous year.

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

In 2023, the Group recorded profit for the year attributable to owners of the parent of RMB2,020.9 million, representing an increase of RMB132.5 million or 7.0% as compared to the previous year.

2.2.6 *Operating revenue from acquired medical institutions*

As of 31 December 2023, the Group had completed the acquisition of 63 medical institutions. The operation performance of such acquired medical institutions during the consolidation period is set out below.

In 2023, the acquired medical institutions of the Group recorded revenue of RMB7,465.8 million during the consolidation period, representing an increase of RMB1,281.8 million or 20.7% as compared to the corresponding period of the previous year; and recorded profit for the year of RMB336.2 million, representing an increase of RMB47.5 million or 16.4% as compared to the corresponding period of the previous year.

The following table sets forth the profit or loss of the acquired medical institutions of the Group during the consolidation period:

	For the year ended 31 December		
	2023	2022	
	RMB'000	RMB'000	Change %
Revenue	**7,465,781**	6,183,985	20.7%
Costs	**(6,577,644)**	(5,474,515)	20.2%
Gross profit	**888,137**	709,470	25.2%
Other income and gains	**143,123**	149,520	-4.3%
Selling and distribution costs	**(5,379)**	(5,263)	2.2%
Administrative expenses	**(621,160)**	(517,594)	20.0%
Impairment on financial assets	**(2,771)**	(613)	352.1%
Other expenses	**(18,311)**	(8,964)	104.3%
Share of profit of an associate	**140**	9	1457.3%
Financial costs	**(15,313)**	(12,853)	19.1%
Profit before tax	**368,466**	313,712	17.5%
Income tax expense	**(32,308)**	(25,035)	29.1%
Profit for the year	**336,158**	288,677	16.4%

3. FINANCIAL POSITION ANALYSIS

3.1 Overview of Assets

As at 31 December 2023, the Group's total assets was RMB80,344.7 million, representing an increase of 4.4% as compared to the end of the previous year. In particular, our restricted deposits was RMB691.0 million, representing a decrease of 11.2% as compared to the end of the previous year and accounting for 0.9% of the total assets; our cash and cash equivalents was RMB2,849.0 million, representing an increase of 5.3% as compared to the end of the previous year and accounting for 3.5% of the total assets; our loans and accounts receivables was RMB67,261.9 million, representing an increase of 3.7% as compared to the end of the previous year and accounting for 83.7% of the total assets.

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

	31 December 2023		31 December 2022		
	RMB'000	% of total	RMB'000	% of total	Change %
Restricted deposits	690,972	0.9%	778,303	1.0%	-11.2%
Cash and cash equivalents	2,848,973	3.5%	2,705,342	3.5%	5.3%
Inventories	431,141	0.5%	388,052	0.5%	11.1%
Loans and accounts receivables	67,261,890	83.7%	64,882,838	84.4%	3.7%
Prepayments, other receivables and other assets	1,310,526	1.7%	1,333,618	1.8%	-1.7%
Property, plant and equipment	4,391,417	5.5%	3,820,299	4.9%	14.9%
Other intangible assets	161,266	0.2%	79,173	0.1%	103.7%
Investment in a joint venture	496,472	0.6%	486,195	0.6%	2.1%
Investment in associates	107,123	0.1%	28,769	0.0%	272.4%
Deferred tax assets	702,163	0.9%	742,551	1.0%	-5.4%
Derivative financial assets	263,970	0.3%	232,154	0.3%	13.7%
Right-of-use asset	1,161,459	1.4%	1,154,794	1.5%	0.6%
Goodwill	286,538	0.4%	102,253	0.1%	180.2%
Financial assets at fair value through profit or loss	216,641	0.3%	245,987	0.3%	-11.9%
Financial assets at fair value through other comprehensive income	14,193	0.0%	–	–	100.0%
Total	**80,344,744**	**100.0%**	76,980,328	100.0%	4.4%

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

	31 December 2023		31 December 2022		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare business	**14,807,996**	**18.4%**	13,888,399	18.0%	6.6%
Finance business	**73,018,465**	**90.9%**	68,811,920	89.4%	6.1%
Inter-segment offset	**(7,481,717)**	**-9.3%**	(5,719,991)	-7.4%	30.8%
Total	**80,344,744**	**100.0%**	76,980,328	100.0%	4.4%

3.1.1 Restricted deposits

As at 31 December 2023, the Group had restricted deposits of RMB691.0 million, representing a decrease of 11.2% as compared to the end of the previous year. Restricted deposits mainly comprised restricted project refunds from factoring business, fix-term deposits and financing deposits.

3.1.2 Cash and cash equivalents

As at 31 December 2023, the Group had cash and cash equivalents of RMB2,849.0 million, representing an increase of 5.3% as compared to the end of the previous year. The balance of cash and cash equivalents will be gradually applied in accordance with the Group's business plan.

3.1.3 Loans and accounts receivables

As at 31 December 2023, the balance of the Group's loans and accounts receivables was RMB67,261.9 million, representing an increase of 3.7% as compared to the end of the previous year. The net interest-earning assets was RMB65,463.6 million, accounting for 97.3% of the loans and accounts receivables; and net accounts receivables was RMB1,756.8 million, accounting for 2.6% of the loans and accounts receivables.

3.1.3.1 *Interest-earning assets*

In 2023, the Group strengthened its risk management and control in a prudent manner, and expanded the lease business with caution while ensuring asset security. As at 31 December 2023, the Group's net interest-earning assets was RMB67,348.6 million, representing an increase of RMB2,114.8 million or 3.2% as compared to the end of the previous year.

Net interest-earning assets by industry

In 2023, the Group continued to lay emphasis on risk prevention and control of interest-earning assets. 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, cash flow 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:

	31 December 2023		31 December 2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Healthcare	**12,418,950**	**18.4%**	17,346,262	26.6%	-28.4%
Urban public utility	**50,106,877**	**74.4%**	45,147,968	69.2%	11.0%
Others	**4,822,758**	**7.2%**	2,739,601	4.2%	76.0%
Net interest-earning assets	**67,348,585**	**100.0%**	65,233,831	100.0%	3.2%
Less: Provision for interest-earning assets	**(1,884,973)**		(1,694,751)		11.2%
Net value of interest-earning assets	**65,463,612**		63,539,080		3.0%

The maturity profile of the net interest-earning assets

The Group formulated reasonable business investment strategies according to its strategic plan so as to ensure sustainable and steady cash inflow. As at 31 December 2023, the maturity profile of the Group's net interest-earning assets was relatively balanced.

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

	31 December 2023		31 December 2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Within 1 year	**24,832,825**	**36.9%**	22,983,482	35.2%	8.0%
1-2 years	**20,054,386**	**29.8%**	18,688,243	28.7%	7.3%
2-3 years	**12,902,305**	**19.1%**	13,573,846	20.8%	-4.9%
Over 3 years	**9,559,069**	**14.2%**	9,988,260	15.3%	-4.3%
Net interest-earning assets	**67,348,585**	**100.0%**	65,233,831	100.0%	3.2%

Quality of interest-earning assets

The Group has been implementing robust asset management policies and continuously adopting stringent and prudent asset classification policies. As at 31 December 2023, the Group had non-performing assets of RMB662.4 million, representing an increase of RMB18.3 million as compared to 31 December 2022. The Group continuously improved its risk management system, adopted effective risk prevention measures and stepped up efforts to recover non-performing assets. As at 31 December 2023, the Group's non-performing assets ratio was 0.98%.

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

	31 December 2023		31 December 2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Pass	**60,239,150**	**89.45%**	58,052,407	88.99%	3.8%
Special attention	**6,446,992**	**9.57%**	6,537,307	10.02%	-1.4%
Substandard	**435,705**	**0.64%**	510,044	0.78%	-14.6%
Doubtful	**133,198**	**0.20%**	105,038	0.16%	26.8%
Loss	**93,540**	**0.14%**	29,035	0.05%	222.2%
Net interest-earning assets	**67,348,585**	**100.00%**	65,233,831	100.00%	3.2%
Non-performing assets[1]	**662,443**		644,117		2.8%
Non-performing assets ratio[2]	**0.98%**		0.99%		

(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 dates indicated.

Note: Please refer to "Management Discussion and Analysis – 7. Risk Management" in this annual report for more details of the five-category classification.

Ratio of overdue interest-earning assets

In 2023, the Group implemented prudent risk control and asset management policy, maintaining a stable performance of the risk management system. As at 31 December 2023, the overdue ratio (over 30 days) was 0.89%, increased by 0.03 percentage point as compared to 0.86% at the end of the previous year.

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

	31 December 2023	31 December 2022
Overdue ratio (over 30 days)[1]	**0.89%**	0.86%

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

Provision for interest-earning assets

As at 31 December 2023, the Group's provision coverage ratio was 284.55%, representing an increase of 21.44 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's asset provision coverage maintained an upward trend.

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

	As at 31 December 2023			
	Stage 1 (12-month expected credit loss) RMB'000	Stage 2 (Lifetime expected credit loss) RMB'000	Stage 3 (Lifetime expected credit loss-impaired) RMB'000	Total RMB'000
Net interest-earning assets	**60,239,150**	**6,446,992**	**662,443**	**67,348,585**
Provision for interest-earning assets	**(945,255)**	**(591,420)**	**(348,298)**	**(1,884,973)**
Net value of interest-earning assets	**59,293,895**	**5,855,572**	**314,145**	**65,463,612**

	As at 31 December 2022			
	Stage 1 (12-month expected credit loss) RMB'000	Stage 2 (Lifetime expected credit loss) RMB'000	Stage 3 (Lifetime expected credit loss-impaired) RMB'000	Total RMB'000
Net interest-earning assets	58,052,407	6,342,938	838,486	65,233,831
Provision for interest-earning assets	(688,107)	(639,852)	(366,792)	(1,694,751)
Net value of interest-earning assets	57,364,300	5,703,086	471,694	63,539,080

Write-off of interest-earning assets

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Write-off	–	42,064
Non-performing assets as at the end of last year	**644,117**	601,062
Write-off ratio[(1)]	–	7.00%

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

Asset-backed securities related assets, etc.

In 2023, the Group sold interest-earning assets with a cumulative principal of approximately RMB5,456 million through the asset-backed securities business, all of which belonged to urban public utility. The Group will actively expand the asset-backed securities business in the future based on the needs of business development. As at 31 December 2023, the balance of the subordinated shares held by the Group for the asset-backed securities business was RMB201.0 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 as at 31 December 2023, with no significant abnormality in asset quality.

As at 31 December 2023, the balance of the Group's assets with continuing involvement was RMB309.5 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 recognised continuing involvement in assets and liabilities.

3.1.3.2 *Accounts receivable*

As at 31 December 2023, the Group's net accounts receivables was RMB1,756.8 million, representing an increase of RMB414.9 million or 30.9% as compared to the end of the previous year. The increase in accounts receivables was mainly due to the increase in revenue from healthcare business segment.

3.1.4 Other assets

As at 31 December 2023, the Group's balance of property, plant and equipment was RMB4,391.4 million, representing an increase of RMB571.1 million as compared to the end of the previous year, which was mainly due to the increase in the balance of property, plant and equipment from the renovation and expansion works of the Group's affiliated medical institutions.

As at 31 December 2023, the balance of the Group's investment in joint ventures was RMB496.5 million, which was the investment in Sichuan Huankang Hospital Management Co., Ltd. (四川環康醫院管理公司); the balance of investment in associates was RMB107.1 million, which was the investment in Genertec Digital Health Technology (Beijing) Co., Ltd. (通用技術集團健康數字科技(北京)有限公司), GT-PRC Healthcare Company Limited (通用技術集團醫療健康有限公司) and Beijing Tongrentang Anshan Traditional Chinese Medicine Hospital Co., Ltd. (北京同仁堂鞍山中醫醫院有限公司).

As at 31 December 2023, the Group's balance of goodwill was RMB286.5 million, including goodwill of RMB182.5 million arising from the acquisition of Casstar, 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 RMB1.8 million arising from the acquisition of Beth Hesda (畢士大), goodwill of RMB1.0 million arising from the acquisition of Xianyang Caihong Hospital (咸陽彩虹醫院) and goodwill of RMB0.8 million arising from the acquisition of Ansteel General Hospital by the Group.

3.2 Overview of Liabilities

As at 31 December 2023, the Group's total liabilities amounted to RMB59,976.8 million, representing an increase of RMB2,717.3 million, or 4.7%, as compared to the end of the previous year. The balance of interest-bearing bank and other borrowings amounted to RMB47,649.6 million, representing an increase of RMB738.2 million, or 1.6%, as compared to the end of the previous year, accounting for 79.4% of the total liabilities; balance of other payables and accruals amounted to RMB8,882.8 million, representing an increase of RMB1,315.0 million, or 17.4%, as compared to the end of the previous year, accounting for 14.8% of the total liabilities.

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

	31 December 2023		31 December 2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Interest-bearing bank and other borrowings	**47,649,600**	**79.4%**	46,911,383	81.9%	1.6%
Trade and bills payables	**2,988,673**	**5.0%**	2,294,424	4.0%	30.3%
Other payables and accruals	**8,882,765**	**14.8%**	7,567,833	13.3%	17.4%
Derivative financial instruments	**26,608**	**0.1%**	120,802	0.2%	-78.0%
Tax payable	**119,641**	**0.2%**	84,097	0.1%	42.3%
Other non-current liabilities	**309,499**	**0.5%**	280,968	0.5%	10.2%
Total	**59,976,786**	**100.0%**	57,259,507	100.0%	4.7%

3.2.1 Interest-bearing bank and other borrowings

Since the beginning of this year, despite the complicated economic environment at home and abroad, 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, optimise 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 introduced several new types of bonds including medium-term notes for rural revitalization, asset-backed securities for high-quality development of the Yellow River basin, renewable green asset-backed special project and perpetual medium-term notes, boasted ever closer ties with its investors and continuously 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. In the indirect financing market, the Group focused on core financial institutions such as large state-owned commercial banks, joint-stock commercial banks, city commercial banks and foreign banks, and conducted extensive, in-depth and long-term cooperation in the direction of finance and industry in an active response to polices of banks. With the implementation of the ESG loan, green loan and merger and acquisition loan projects, the Group recorded substantial increase in the scale of credit facilities. Meanwhile, the Group continued to keep a keen watch on the international market and steadily promoted offshore syndicated and bilateral loans business to strongly support diversified and stable funding resources.

The Group's interest-bearing bank and other borrowings were mainly used to finance the capital requirement of our finance lease business. As at 31 December 2023, the balance of the Group's interest-bearing bank and other borrowings was RMB47,649.6 million, representing an increase of RMB738.22 million or 1.6% as compared to that as at 31 December 2022. The borrowings of the Group are dominated in RMB, USD and HKD.

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

	31 December 2023		31 December 2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Bank loans	**26,415,315**	**55.4%**	24,280,248	51.8%	8.8%
Due to related parties	**4,445,739**	**9.3%**	4,092,920	8.7%	8.6%
Bonds	**16,458,383**	**34.6%**	17,548,288	37.4%	-6.2%
Other loans	**330,163**	**0.7%**	989,927	2.1%	-66.6%
Total	**47,649,600**	**100.0%**	46,911,383	100.0%	1.6%

As at 31 December 2023, the balance of the Group's bank loans amounted to RMB26,415.3 million, which accounted for 55.4% of the total interest-bearing bank and other borrowings, representing an increase of 3.6 percentage points as compared to 51.8% as at 31 December 2022. The Group continuously made efforts in domestic credit market and strengthened its cooperation with banks in width and depth, with the proportion of balance of bank loans increased.

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

	31 December 2023		31 December 2022		
	RMB'000	% of total	RMB'000	% of total	Change %
RMB	**38,504,534**	**80.8%**	32,720,554	69.8%	17.7%
USD	**6,090,920**	**12.8%**	10,419,838	22.2%	-41.5%
HKD	**3,054,146**	**6.4%**	3,770,991	8.0%	-19.0%
Total	**47,649,600**	**100.0%**	46,911,383	100.0%	1.6%

As at 31 December 2023, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB38,504.5 million, which accounted for 80.8% of its total interest-bearing bank and other borrowings, representing an increase of 11.0 percentage points as compared to 69.8% as at 31 December 2022. Affected by the increasingly tightened monetary policy in overseas market, the Group reduced the scale of foreign currency financing in a timely and appropriate manner, continued its diversified financing strategy, and at the same time objectively managed the foreign exchange risk with foreign exchange derivatives.

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

	31 December 2023		31 December 2022		
	RMB'000	% of total	RMB'000	% of total	Change %
Domestic	**37,804,534**	**79.3%**	32,020,554	68.3%	18.1%
Overseas	**9,845,066**	**20.7%**	14,890,829	31.7%	-33.9%
Total	**47,649,600**	**100.0%**	46,911,383	100.0%	1.6%

As at 31 December 2023, the Group's domestic financing balance was RMB37,804.5 million, accounting for 79.3% of the total interest-bearing bank and other borrowings, representing an increase of 11.0 percentage points as compared to 68.3% as at 31 December 2022. Taking advantage of the relatively loose monetary policy in domestic market, the Group proactively explored domestic financing channels and vigorously promoted domestic RMB financing.

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

	31 December 2023		31 December 2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Current	**22,537,605**	**47.3%**	20,802,790	44.3%	8.3%
Non-current	**25,111,995**	**52.7%**	26,108,593	55.7%	-3.8%
Total	**47,649,600**	**100.0%**	46,911,383	100.0%	1.6%

As at 31 December 2023, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB22,537.6 million, which accounted for 47.3% of its total interest-bearing bank and other borrowings, representing an increase of 3.0 percentage points as compared to 44.3% at the end of the previous year. On the premise that sufficient liquidity is maintained, the Group optimised maturity structure of financing to obtain more low-cost funds, therefore, the overall structure of assets and liabilities remained stable and favorable.

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

	31 December 2023		31 December 2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Secured	**8,431,837**	**17.7%**	6,174,875	13.2%	36.6%
Unsecured	**39,217,763**	**82.3%**	40,736,508	86.8%	-3.7%
Total	**47,649,600**	**100.0%**	46,911,383	100.0%	1.6%

As at 31 December 2023, the Group's total secured interest-bearing bank and other borrowings amounted to RMB8,431.8 million, which accounted for 17.7% of its total interest-bearing bank and other borrowings, representing an increase of 4.5 percentage points as compared to 13.2% at the end of the previous year. The Group's secured assets were mainly interest-earning assets. In order to expand financing channels, cultivate different financing entities, and diversify financing resources, the proportion of the secured interest-bearing bank and other borrowings was slightly increased.

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

	31 December 2023		31 December 2022		
	RMB'000	% of total	RMB'000	% of total	Change %
Direct financing	16,689,509	35.0%	17,770,641	37.9%	-6.1%
Indirect financing	30,960,091	65.0%	29,140,742	62.1%	6.2%
Total	47,649,600	100.0%	46,911,383	100.0%	1.6%

As at 31 December 2023, the total balance of the direct financing of the Group's interest-bearing bank and other borrowings amounted to RMB16,689.5 million, which accounted for 35.0% of its total interest-bearing bank and other borrowings, representing a decrease of 2.9 percentage points as compared to 37.9% at the end of the previous year. The Group continued to cultivate and refine its presence in both the direct financing market and indirect financing market. The stable and balanced financing structure secured ample funding for the Company's development.

3.2.2 *Other payables and accruals*

Other payables and accruals primarily comprise the collection of payments related to asset-backed securities, the lease deposits paid by customers, the accrued interests on borrowings, as well as the accrued salary and welfare payables. As at 31 December 2023, other payables and accruals amounted to RMB8,882.8 million in total, representing an increase of RMB1,314.9 million as compared to the end of the previous year, mainly due to increase in the collection of payments related to asset-backed securities and lease deposits of the Group.

3.3 Shareholders' Equity

As at 31 December 2023, the Group's total equity was RMB20,368.0 million, representing an increase of RMB647.1 million or 3.3% as compared to the end of the previous year, among which the non-controlling interests were RMB3,017.8 million, representing a decrease of RMB1,062.2 million or 26.0% as compared to the end of the previous year, which was mainly due to the decrease of non-controlling interests from the acquisition of equity interest in Genertec Minmetals.

The following table sets forth the equities as of the dates indicated:

	31 December 2023		31 December 2022		
	RMB'000	**% of total**	RMB'000	% of total	Change %
Share capital	**5,297,254**	**26.0%**	5,297,254	26.9%	0.0%
Equity attributable to holders of convertible corporate bonds(1)	**75,486**	**0.4%**	75,486	0.4%	0.0%
Reserves	**10,305,001**	**50.6%**	8,607,642	43.6%	19.7%
Equity attributable to owners of the parent	**15,677,741**	**77.0%**	13,980,382	70.9%	12.1%
Equity attributable to holders of renewable corporate bonds(2)	**1,672,433**	**8.2%**	1,660,414	8.4%	0.7%
Non-controlling interests	**3,017,784**	**14.8%**	4,080,025	20.7%	-26.0%
Total	**20,367,958**	**100.0%**	19,720,821	100.0%	3.3%

(1) On 25 March 2021, Genertec Universal Medical Development (BVI) Co., Ltd., a wholly-owned subsidiary of the Company, issued 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 2023, the conversion price of the convertible bonds was adjusted from HKD6.28 to HKD6.09 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. The Group redeemed these renewable corporate bonds in full on 29 June 2023.

On 25 October 2021, CULC 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. The Group redeemed these renewable corporate bonds in full on 25 October 2023.

On 22 December 2022, CULC issued the renewable corporate bonds of an aggregate principal amount of RMB480 million in the PRC, with a basic term of one year from 22 December 2022. 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%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds. The Group redeemed these renewable corporate bonds in full on 22 December 2023.

On 27 March 2023, CULC issued the renewable corporate bonds of an aggregate principal amount of RMB300 million in the PRC, with a basic term of two years from 27 March 2023. 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 4.8%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

On 29 June 2023, CULC issued the renewable corporate bonds of an aggregate principal amount of RMB600 million in the PRC, with a basic term of two years from 29 June 2023. 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 4.3%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

On 7 September 2023, CULC issued the renewable corporate bonds of an aggregate principal amount of RMB500 million in the PRC, with a basic term of one year from 7 September 2023. 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 3.38%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

On 27 December 2023, CULC issued the perpetual medium-term notes of an aggregate principal amount of RMB250 million in the PRC, with a basic term of two years from 27 December 2023. 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 notes. Such notes will have a fixed coupon rate during the first term. At the end of the first term and each extended period, the coupon rate is subject to reset. The issue price is RMB100 per note, which is equal to 100% of the principal value of the notes.

4. CASH FLOWS ANALYSIS

In 2023, the Group's net cash inflow from operating activities amounted to RMB4,994.0 million, representing an increase of inflow of RMB2,961.9 million as compared to that of the previous year, which was mainly due to the increase in the inflow amounts as a result of the increased scale in asset-backed securities business. Net cash outflow from investing activities amounted to RMB1,059.0 million, representing an increase of outflow of RMB937.6 million as compared to that of the previous year, primarily due to the additional investments as well as acquisitions and mergers made during the year. Net cash outflow from financing activities amounted to RMB3,793.6 million, representing an increase of outflow of RMB2,217.2 million as compared to that of the previous year, primarily due to the redemption of corporate bonds and acquisition of minority interest.

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

	For the year ended 31 December		
	2023 RMB'000	2022 RMB'000	Change %
Net cash flows generated from operating activities	**4,993,965**	2,032,068	145.8%
Net cash flows used in investing activities	**(1,058,997)**	(121,398)	772.3%
Net cash flows used in financing activities	**(3,793,636)**	(1,576,418)	140.6%
Effect of exchange rate changes on cash and cash equivalents	**2,299**	(25,248)	-109.1%
Net increase in cash and cash equivalents	**143,631**	309,004	-53.5%

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 maximise its shareholders' value. The Group uses debt ratio and gearing ratio to monitor its capital status. As at 31 December 2023, no change was made to the Group's objectives, policies or processes for capital management.

Debt ratio

	31 December 2023 RMB'000	31 December 2022 RMB'000
Total assets	**80,344,744**	76,980,328
Total liabilities	**59,976,786**	57,259,507
Total equity	**20,367,958**	19,720,821
Debt ratio	**74.65%**	74.38%

Gearing ratio

	31 December 2023 RMB'000	31 December 2022 RMB'000
Interest-bearing bank and other borrowings	**47,646,600**	46,911,383
Total equity	**20,367,958**	19,720,821
Gearing ratio	**2.34**	2.38

As at 31 December 2023, the Group's debt ratio and gearing ratio decreased slightly as compared to the end of the previous year.

6. CAPITAL EXPENDITURE

The Group's capital expenditure primarily consists of expenditure on the purchase of medical equipment, other equipment expenditure relating to the Group's operating lease business, construction expenditure on hospital projects and expenditure relating to office facilities. In 2023, the Group had capital expenditure of RMB896.8 million.

7. RISK MANAGEMENT

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

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

7.1 Interest Rate Risk

Interest rate risk is the risk arising from the fluctuation of financing instrument or future cash flows as a result of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's interest-bearing bank and other borrowings and interest-earning assets.

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

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

	Increase/(decrease) in profit before tax	
	31 December 2023 RMB'000	31 December 2022 RMB'000
Change in base points		
+100 base points	**(98,220)**	(41,915)
-100 base points	**98,220**	41,915

7.2 Currency Risk

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

The Group conducts its business mainly in RMB, with certain financing activities denominated in USD and other currencies pegged to the USD. The Group's currency risk mainly arises from the transactions denominated in currencies other than RMB. In order to control currency risk, the Group adopted prudent currency risk management strategies which hedges risk exposures one by one under comprehensive risk exposure management. It proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as forward exchange rate. As of 31 December 2023, the Group's exposure to foreign exchange risk amounted to approximately USD1,283.2 million, USD1,282.3 million or 99.9% of which had been hedged against by various financial instruments. Thus, the Group's exposure to foreign exchange risk is basically covered.

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

		Increase/(decrease) in profit before tax	
	Change in exchange rate %	**31 December 2023 RMB'000**	31 December 2022 RMB'000
If RMB strengthens against USD/HKD	(1)	**78**	(349)
If RMB weakens against USD/HKD	1	**(78)**	349

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 on profit before tax of a reasonably possible movement in the currency rate against RMB, with all other variables held constant.

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 recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with whom the Group has credit transactions. Besides, the Group monitors and controls the interest-earning assets regularly to mitigate the risk of significant exposure to bad debts. Other financial assets of the Group include cash and bank deposits, accounts receivables and other receivables. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk equals to the carrying amounts of these assets.

In determining the classification of its interest-earning assets, the Group applies a set of criteria pursuant to its internal policies. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on the interest earning assets of the Group. Interest-earning assets classification criteria of the Group focus on a number of factors, to the extent applicable, and include the following criteria:

Classification criteria

Pass. There is no reason to doubt that the loan principal and interest will not be repaid by the lessee in full and/or in a timely manner. There is no reason whatsoever to suspect that the interest-earning assets will be impaired.

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

Substandard. The lessee's ability to pay the principal and interests of the interest-earning assets is in question as it is unable to pay the principal and interests of the lease payment 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 categorised 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, the Group is likely to incur significant losses. For example, if a lease payment that has been categorised 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 categorised as doubtful continues to be overdue for a period of time, the interest-earning assets for this lease contract shall be classified as a loss.

Asset management measures

Under the overall risk management framework, the Group fully participated in the asset management works, with multi-sectorial coordination and collaboration, to maintain the safety of assets and improve the asset quality. During the whole process of each of the finance lease project, the Group took risk management measures to monitor the quality of its asset portfolio, the quality of the assets underlying its leases and the efficiency of its credit assessment workflow. These measures are integrated into on-going asset management efforts of the Group with the following key features:

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

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

On-site customer visits

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

Material events handling and reporting procedures

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

Regular assessments on asset quality and update on reclassification

The Group adopted the expected credit loss model to classify its assets related to interest earning assets. Under this categorization system, the Group's assets related to interest-earning assets are divided into five categories, namely "pass", "special mention", "substandard", "doubtful" and "loss". The last three categories of assets are considered as non-performing assets. The Group applied a series of criteria in determining the classification of each of its assets, which focus on a number of factors, including (1) the customer's ability to make lease payments; (2) the customer's payment history; (3) the customer's willingness to make lease payments; (4) the collateral provided for the lease; and (5) the possibility of legal enforcement in the event of delinquent lease payments. The Group closely monitored the asset quality by focusing on the aforementioned factors, and would decide whether to reclassify such assets and adopt appropriate measures to improve their management. The Group has also established concrete management measures for making relevant provisions for impairment to the extent such impairment is reasonably envisaged.

Credit Risk Analysis

Analysis on the industry concentration of interest-earning assets

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

	31 December 2023		31 December 2022	
	RMB'000	**% of total**	RMB'000	% of total
Healthcare	**12,418,950**	**18.4%**	17,346,262	26.6%
Urban public utility	**50,106,877**	**74.4%**	45,147,968	69.2%
Others	**4,822,758**	**7.2%**	2,739,601	4.2%
Total	**67,348,585**	**100.0%**	65,233,831	100.0%

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

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Net interest-earning assets	**66,498,898**	63,848,757
Accounts receivables	**1,756,800**	1,341,858
Other receivables	**501,158**	403,197
Derivative financial assets	**263,970**	232,154
Notes receivable	**41,478**	1,900

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 summarises 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	Infinite	Total
				RMB'000			
31 December 2023							
Total financial assets	**3,103,504**	**10,201,521**	**21,317,899**	**46,921,596**	**–**	**2,778**	**81,547,298**
Total financial liabilities	**(107,548)**	**(7,709,850)**	**(22,435,101)**	**(30,083,157)**	**(553,448)**	**–**	**(60,889,104)**
Net liquidity gap[1]	**2,995,956**	**2,491,671**	**(1,117,202)**	**16,838,439**	**(553,448)**	**2,778**	**20,658,194**
31 December 2022							
Total financial assets	2,970,800	9,503,281	19,578,237	46,974,024	–	–	79,026,342
Total financial liabilities	(1,114,778)	(4,971,019)	(20,298,737)	(31,465,210)	(215,228)	–	(58,064,972)
Net liquidity gap[1]	1,856,022	4,532,262	(720,500)	15,508,814	(215,228)	–	20,961,370

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

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

8. PLEDGE OF GROUP ASSETS

As at 31 December 2023, the Group had interest-earning assets of RMB8,799.2 million and cash of RMB671.9 million pledged or paid to banks to secure the bank borrowings.

9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 30 July 2022, Hospital Investment Co., Ltd. and Genertec Minmetals entered into (i) an equity transfer agreement with Minmetals Shareholders, pursuant to which Hospital Investment Co., Ltd. (as the purchaser) had conditionally agreed to acquire, and Minmetals Shareholders (as vendors) had conditionally agreed to sell a total of 44% of the equity interest in Genertec Minmetals held by Minmetals Shareholders, for a total consideration of RMB1,096.2 million; and (ii) an equity transfer agreement with CITIC Capital (Tianjin), pursuant to which Hospital Investment Co., Ltd. (as the purchaser) had conditionally agreed to acquire, and CITIC Capital (Tianjin) (as the vendor) had conditionally agreed to sell 10% of the equity interest in Genertec Minmetals held by CITIC Capital (Tianjin), at nil consideration. The acquisition had been completed on 1 March 2023. Upon completion of the transactions, Genertec Minmetals was owned as to 100% by Hospital Investment Co., Ltd., and accordingly, became an indirect wholly-owned subsidiary of the Company.

On 11 August 2023, Genertec Universal Medical Technology Services (Tianjin) Co., Ltd. (通用環球醫療技術服務(天津)有限公司) (a wholly owned subsidiary of the Company) entered into an equity transfer agreement (the "Equity Transfer Agreement") with Casstar and its seven shareholders. Pursuant to the Equity Transfer Agreement, Genertec Universal Medical Technology Services (Tianjin) Co., Ltd. conditionally agreed to acquire an aggregate of 85% of the equity interest in Casstar from the seven shareholders of Casstar, for a consideration of RMB467.5 million. Upon completion of this transaction, Casstar would become an indirect non-wholly owned subsidiary of the Company and the financial results of Casstar will be consolidated into the financial statements of the Group.

Save as disclosed above, there were no significant investments held, nor were there any material disposals of subsidiaries during the year ended 31 December 2023.

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

10.1 Contingent Liabilities

	31 December 2023 RMB'000	31 December 2022 RMB'000
Legal proceedings	**–**	–
Claimed amounts	**–**	–

10.2 Capital Commitments and Credit Commitments

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Capital expenditure under signed contracts but not appropriated[1]	**864,754**	1,690,434
Credit commitments[2]	**2,069,000**	2,530,000

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

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

11. HUMAN RESOURCES

As of 31 December 2023, we had a total of 21,089 employees, representing an increase of 554 employees or 2.7% as compared to 20,535 employees as of 30 June 2023, which is mainly due to the transfer of employees from acquired hospitals.

We have a highly-educated and high-quality work force, with about 64.86% of our employees holding bachelor's degrees and above, about 6.48% holding master's degrees and above, about 40.11% with intermediate title and above, and about 13.44% with senior vice title and above as of 31 December 2023.

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 performance-based 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 categorising them into professional or managerial group, which provides our employees with a clear career development 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. As of 31 December 2023, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material respects.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;
– that the interests of those who deal with the Company are safeguarded;
– that overall business risk is understood and managed appropriately;
– the delivery of high-quality products and services to the satisfaction of customers; and
– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

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

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix C1 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance.

In the opinion of the Directors, the Company has complied with all applicable code provisions as set out in the CG Code throughout the year ended 31 December 2023 save for the deviation from code provision B.2.2 which is explained in the relevant paragraph of this Corporate Governance Report.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Securities Dealing Code on terms no less exacting than the Model Code as set out in Appendix C3 to the Listing Rules.

The Securities Dealing Code applies to all Directors and to all employees of the Company and/or its subsidiaries who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities, receive the code and are informed that they are subject to its provisions.

Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the year ended 31 December 2023.

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

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

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

The Board comprises the following directors during the year ended 31 December 2023:

Executive Directors:
Ms. Peng Jiahong *(Chairwoman)*
Mr. Wang Wenbing *(Chief Executive Officer)*
Ms. Wang Lin[(2)]
Mr. Yu Gang[(1)]

Non-executive Directors:
Mr. Chan Kai Kong *(Vice-chairman)*
Mr. Tong Chaoyin
Mr. Xu Ming
Mr. Zhu Ziyang

Independent Non-executive Directors:
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Xu Zhiming
Mr. Chan, Hiu Fung Nicholas

Notes:

(1) Resigned with effect from 21 June 2023
(2) Appointed with effect from 25 July 2023

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

Ms. Wang Lin, who has been appointed as an executive Director during the financial year ended 31 December 2023, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules/on Hong Kong law as regards the requirements under the Listing Rules that are applicable to her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 1 August 2023, and she has confirmed she understood her obligations as a director of a listed issuer.

The biographical information of the Directors is set out in the section headed "Biography of Directors" on pages 82 to 90 of this annual report.

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

Chairwoman and Chief Executive Officer

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

Independent Non-executive Directors

During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Board Independence Evaluation

The Company has established internal policies (including but not limited to the Articles, Policy for the Nomination of Directors, and Terms of Reference of the Remuneration and Nomination Committee) to ensure that the Board has access to independent views and opinions. These policies cover the Company's procedures and selection criteria for the election and appointment of directors (including independent non-executive directors), the mechanism for directors to abstain from voting on relevant proposals considered by the Board, and the authority of the independent board committee to engage independent financial advisors or other professional consultants. The Company has reviewed the implementation and effectiveness of the aforesaid mechanisms and believes that the aforesaid mechanisms can ensure the independent views and opinions of the Board.

The objectives of the internal policies are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development, clarify what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Appointment and Re-election of Directors

Code provision B.2.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year, all the Directors have participated in continuous professional training, including reading guidance materials provided and published by the Stock Exchange.

BOARD COMMITTEES

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

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

Audit Committee

The Audit Committee consists of one non-executive Director, and two independent non-executive Directors, namely Mr. Li Yinquan, Mr. Chow Siu Lui and Mr. Tong Chaoyin. Mr. Li Yinquan is the chairman of the Audit Committee.

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

The Audit Committee is also responsible for performing the functions set out in the code provision A.2.1 of the CG Code which include developing and reviewing the Company's policies and practices on corporate governance and make recommendation to the Board; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; reviewing and monitoring the training and continuous professional development of directors and senior management of the Company; and reviewing the Company's compliance with the CG Code, the Model Code and the Securities Dealing Code adopted by the Company from time to time and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

During the year, the Audit Committee held two meetings to review the annual financial results and reports in respect of the year ended 31 December 2022 and the interim financial results and reports in respect of the six months ended 30 June 2023, respectively. The Audit Committee also passed written resolutions during the year to resolve matters relating to the audit fees and terms of engagement of the external auditor.

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

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

Remuneration Committee

The Remuneration Committee currently consists of two non-executive Directors and three independent non-executive Directors, namely Mr. Chow Siu Lui, Mr. Chan Kai Kong, Mr. Xu Ming, Mr. Li Yinquan and Mr. Xu Zhiming. Mr. Chow Siu Lui is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are no less exacting than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and establishing a formal and transparent procedure for developing the remuneration policy; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and ensuring that no Director or any of his/her close associates is involved in deciding his/her own remuneration and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year, the Remuneration Committee met once to review the Company's policy and structure for the remuneration of all Directors and senior management, the remuneration packages of the executive Directors and senior management of the Company and the remuneration of non-executive Directors as well as the service contracts of the executive Directors and the renewed letters of appointment of the non-executive Directors. The Remuneration Committee also passed written resolutions during the year to recommend to the Board the appointment of new Director and reviewed the service contract. During the year, the Remuneration Committee approved (i) the lapse of the second batch of the share options granted under the Share Option Scheme and (ii) the cancellation of the third batch of the share options granted under the Share Option Scheme due to the unfulfilled certain conditions pursuant to the Share Option Scheme.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and performance/discretionary bonus. Executive Directors shall receive options to be granted under the Company's share option scheme. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Non-executive Directors and independent non-executive Directors shall not receive options and share awards to be granted under the Company's share option scheme and share award scheme. Individual Directors and senior management have not been involved in deciding their own remuneration.

Nomination Committee

The Nomination Committee consists of one executive Director, one non-executive Director and three independent non-executive Directors, namely Ms. Peng Jiahong, Mr. Xu Ming, Mr. Li Yinquan, Mr. Chow Siu Lui and Mr. Chan, Hiu Fung Nicholas. Ms. Peng Jiahong is the chairwoman of the Nomination Committee.

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

Board Diversity Procedure

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

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender	Age Group
Male: 9 Directors Female: 2 Directors	21-30: 1 Director 41-50: 3 Directors 51-60: 4 Directors 61-70: 3 Directors

Designation	Educational Background
Executive Directors: 3 Directors Non-executive Directors: 4 Directors Independent Non-executive Directors: 4 Directors	Business Administration: 3 Directors Accounting and Finance: 5 Directors Legal: 2 Directors Other: 1 Director

Nationality	Business Experience
Chinese: 11 Directors	Accounting & Finance: 4 Directors Legal: 1 Director Experience Related to the Company's Business: 6 Directors

The Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

Level	Female	Male
Board	18.2% (2)	81.8% (9)
Senior Management	57.14% (4)	42.86% (3)
Other employees	71.82% (15,141)	28.18% (5,941)
Overall workforce	71.81% (15,145)	28.19% (5,944)

* The total number of employees (excluding board members) of the Group is 21,089, in which there is overlap between the board and the senior management.

The Board considers that the above current gender diversity is satisfactory, and the Company expects to maintain the current gender ratio going forward.

Director Nomination Procedures

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

The nomination process set out in the Director Nomination Procedure is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

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

Risk Control Committee

The Risk Control Committee consists of one executive Director and two non-executive Directors, namely Mr. Zhu Ziyang, Mr. Wang Wenbing and Mr. Tong Chaoyin. Mr. Zhu Ziyang is the chairman of the Risk Control Committee.

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

During the year, the Risk Control Committee met once to review the effectiveness of the risk management and internal control systems and the internal audit function. It has reviewed the risk management system and framework, the risk management and internal control strategy as well as the 2023 risk management work plan. These include management strategy, systems precautions, process optimization and implementation of risk management measurements. The Risk Control Committee believed that the Group's risk management and internal control systems are well-established as the Company had established appropriate risk identification, control and prevention systems in relation to different risk categories which ensure effective risk management and internal control systems of the Group. The Company should continue to strengthen its risk management and internal control systems. The Risk Control Committee also identified some possible risks faced by the Company and suggested precautionary measures to manage these risks.

Strategy Committee

The Strategy Committee currently consists of one executive Director and two non-executive Directors, namely Ms. Peng Jiahong, Mr. Chan Kai Kong and Mr. Zhu Ziyang. Ms. Peng Jiahong is the chairwoman of the Strategy Committee.

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

During the year, the Strategy Committee met once to discuss the strategy and business development of the Company. The Strategy Committee agreed with the development strategy strategic direction and expected a bright prospect. The Strategy Committee also advised the Company that it should enhance the strategic guidance and assessment in hospitals, improve the hospital operational capability and brand influence and pay continuous attention to striking a balance between public interest and the commercial interest of the medical services. The Strategy Committee also suggested that the Company should further explore innovative measures for state-owned enterprises in running medical care, so as to gain a leading position in the industry.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Attendance/Number of Meetings during the tenure of directorship							
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Control Committee	Strategy Committee	2023 AGM	2023 EGM
Peng Jiahong	10/10	N/A	N/A	1/1	N/A	1/1	1/1	1/1
Wang Wenbing	10/10	N/A	N/A	N/A	1/1	N/A	1/1	1/1
Wang Lin#2	5/5(2)	N/A	N/A	N/A	N/A	N/A	N/A(2)	1/1
Chan Kai Kong	10/10	N/A	1/1	N/A	N/A	1/1	1/1	1/1
Tong Chaoyin	10/10	2/2	N/A	N/A	1/1	N/A	1/1	1/1
Xu Ming	10/10	N/A	1/1	N/A	N/A	N/A	1/1	1/1
Zhu Ziyang	10/10	N/A	N/A	N/A	1/1	1/1	1/1	1/1
Li Yinquan	10/10	2/2	1/1	1/1	N/A	N/A	1/1	1/1
Chow Siu Lui	10/10	2/2	1/1	1/1	N/A	N/A	1/1	1/1
Xu Zhiming	9/10	N/A	1/1	N/A	N/A	N/A	1/1	1/1
Chan, Hiu Fung Nicholas	10/10	N/A	N/A	N/A	N/A	N/A	1/1	1/1
Yu Gang#1	4/4(1)	N/A	N/A	N/A	N/A	N/A	1/1	N/A(1)

Notes:

#1 Resigned with effect from 21 June 2023
#2 Appointed with effect from 25 July 2023

(1) Up to 21 June 2023
(2) Since 25 July 2023

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023 with the support of the accounting and finance team.

The Directors have prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

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

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditors' report on pages 127 to 131 of this annual report.

DEED OF NON-COMPETITION OF THE CONTROLLING SHAREHOLDER

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Sound and improved risk management and internal control systems

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

Audit department carrying out internal audit function

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

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

Features of risk management and internal control systems

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

Effectiveness of the risk management and internal control systems

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

During the year, the audit department has enhanced supervision of the finance business by initiating audit work on the finance business and mitigating operational risks. In the meantime, the audit department has conducted economic responsibility audit of affiliated hospitals which elevates the overall management of the Group. In order to ensure normal functioning of internal control system, the audit department provides regular or irregular reports on audit work to the management.

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

In 2023, in accordance with the *Basic Rules for Corporate Internal Control* (《企業內部控制基本規範》) jointly promulgated by Ministry of Finance of the PRC, China Securities Regulatory Commission, National Audit Office of the PRC, China Banking Regulatory Commission and China Insurance Regulatory Commission on 2008, we reviewed the rectification work for internal control issues during internal control assessment in 2022. With emphasis on key areas of concerns and processes, relevant departments analyzed various internal control points relating to the business processes and unearthing defects and weaknesses of the internal control system for improvements in a timely manner. It ensures operations and management in compliance with laws and regulations as well as truthfulness and completeness of financial reports and relevant information, enhancing the efficiency and effectiveness of operation and safeguarding strategic development of the Group.

With a comprehensive internal control system, the Group has continuously enhanced its capability of risk management and control. Since the Company established the Risk Prevention and Control and Compliance Committee, the comprehensive risk management system has been gradually built and improved based on the principle of steady operation, to constantly promote the risk prevention and control work coordinated by various departments. At the beginning of the year, major risks for the year were analyzed according to the internal and external environment, and for each type of substantial risks, the Group has developed monitoring indicators. Related departments are responsible for identification and analysis on relevant risks to determine corresponding risk strategies based on risk tolerance. The office of the Risk Prevention and Control and Compliance Committee carried out monitoring and follow-up on risk management regularly, and the risks faced by each business unit and its risk management and control system capabilities are reflected to the management, so as to minimize losses and enhance the Group's capability against risks. In 2023, the Group recorded no major risk incidents, reflecting the effectiveness of the Group's risk management measures.

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

Inside information

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

Whistleblowing Policy

The Company has in place the Whistleblowing Policy and system for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company. The Whistleblowing Policy is available on the website of the Company.

Anti-Corruption Policy

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal anti-corruption department/internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery. The Anti-Corruption Policy is available on the website of the Company.

During the year ended 31 December 2023, the Company held 14 anti-corruption trainings and briefings to all employees. There were no material non-compliance cases in relation to bribery and corruption.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

AUDITORS' REMUNERATION

During the year ended 31 December 2023, the remuneration paid or payable to the Company's external auditor, Ernst & Young, is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	3,515
Non-audit Services	3,716
Interim financial statements review service fees	1,649
Asset-backed securities business related service fees	1,181
Tax related service fees	417
Bond issue related service fees	469
Total	7,231

COMPANY SECRETARY

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

For the year ended 31 December 2023, Ms. Ng Wai Kam has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

Right to Call a General Meeting

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

Putting Forward Proposals at General Meeting

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

Putting Forward Enquiries to the Board

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

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

On 29 December 2023, the Company convened an extraordinary general meeting, at which resolutions in respect of (i) the continuing connected transactions under the 2024 Deposit Service Framework Agreement and the proposed annual caps thereof, (ii) the continuing connected transactions under the 2024 Factoring Service Framework Agreement and the proposed annual caps thereof, and (iii) the proposed amendments to the Articles of Association were disclosed in the announcements of the Company dated 23 November 2023 and 5 December 2023 and the circular of the Company dated 11 December 2023.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.umcare.cn). Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management will also be available on the Company's website.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Computershare Hong Kong Investor Services Limited, via its online holding enquiry service at https://www.computershare.com/hk/en/online_feedback, or call its hotline at +852 2862 8555, or go in person to its public counter at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by email: ir@um.gt.cn or by post to Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong (for the attention of the Board of Directors).

(f) Webcast

Webcasts of the Company's interim and annual results briefings are available.

(g) Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be launched on a regular/required basis.

Amendments to Constitutional Documents

During the year, the Company amended its Articles. Details of the amendments are set out in the circulars dated 25 April 2023 and 11 December 2023 to the Shareholders. An up-to-date version of the Articles is also available on the websites of the Stock Exchange and the Company respectively. Shareholders may refer to the Articles for further details of their rights.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

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

Ms. Peng Jiahong (彭佳虹女士), aged 53, is an executive Director, the chairwoman of the Board, chairwoman of each of the Strategy Committee and the Nomination Committee. She is primarily responsible for leading and chairing the Board and providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval, and she is also responsible for planning development strategy, business and management system of the Group. Ms. Peng was appointed as a Director on 22 December 2014 and was re-designated as an executive Director and deputy general manager of the Company on 6 March 2015, and appointed as the vice-chairwoman of the Board and chief executive officer of the Company on 30 November 2018, and was re-designated as a chairwoman of the Board and appointed as a chairwoman of the Nomination Committee on 27 August 2021. She served as the chief financial officer of the Company from December 2014 to December 2019. Ms. Peng is also a director of certain subsidiaries of the Company. Ms. Peng has several years' working experience in financial services and financial management, including 18 years in medical financing services.

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

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

Ms. Peng graduated from the University of International Business and Economics (對外經濟貿易大學), China with a bachelor's degree in Professional Accounting in June 1993. She also obtained an EMBA Degree from Tsinghua University (清華大學), China in June 2012. She was qualified as a senior accountant (高級會計師) in December 2006 by the Appraisal and Approval Committee for Professional & Technical Qualification of GT-PRC (通用技術集團專業技術資格評審委員會).

Ms. Peng is the sole beneficial owner and sole director of Evergreen. Evergreen is a shareholder of the Company and held about 0.40% of the total number of issued shares of the Company as at 31 December 2023. By virtue of the SFO, Ms. Peng is deemed to be interested in the Shares owned by Evergreen.

Mr. Chan Kai Kong – Non-executive Director, Vice-Chairman of the Board

Mr. Chan Kai Kong (陳啓剛先生), aged 54, was appointed as the vice-chairman of the Board, non-executive Director and a member of each of the Remuneration Committee and the Strategy Committee with effect from 22 June 2022. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Chan has extensive experience in financing and investment. Mr. Chan has been a non-executive director of Frontier Services Group Limited (先豐服務集團有限公司), the shares of which are listed on the Stock Exchange (stock code: 0500), since February 2021. Mr. Chan joined CITIC Capital Holdings Limited (中信資本控股有限公司) in 2005, and he is the chief financial officer and a senior managing director. He is also an investment committee member of various funds of Trustar Capital, the private equity business of CITIC Capital Holdings Limited. Mr. Chan was a vice president of the direct investment department at Government of Singapore Investment Corporation (新加坡政府投資公司) from 2001 to 2005 and an investment professional at International Finance Corporation (國際金融公司) from 1997 to 2000. He previously worked for Deloitte and had corporate finance experience with both listed companies and merchant bank.

Mr. Chan obtained a master's degree in finance in 1997 from the London Business School (倫敦商學院) and a bachelor degree in business administration in 1991 from The Chinese University of Hong Kong.

EXECUTIVE DIRECTORS

Mr. Wang Wenbing – Executive Director, Chief Executive Officer

Mr. Wang Wenbing (王文兵先生), aged 50, was appointed as an executive Director, the chief executive officer of the Company and a member of the Risk Control Committee on 13 September 2021. He is primarily responsible for implementing the resolutions of the Board and presiding over the overall operation management and overall operation of the Group.

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

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

Ms. Wang Lin – Executive Director

Ms. Wang Lin (王琳女士), aged 49, is an executive Director. She is primarily responsible for work of party committee and human resources affairs of the Group. Ms. Wang was appointed as an executive Director on 25 July 2023.

Ms. Wang has extensive experience in corporate governance. She served as a director and deputy general manager of General Technology Group Health and Elderly Care Sector Co., Ltd. (通用技術集團健康養老產業有限公司, "GT-HECS"), a subsidiary of GT-PRC from August 2022 to July 2023, and served as the party secretary of GT-HECS from December 2022 to July 2023. From May 2019 to August 2022, she held several positions in a subsidiary of GT-PRC specialized in inspection, testing and certification, including the leader of the business group of inspection, testing and certification, the director and the general manager. From January 2020 to September 2021, she served as a director of China Automotive Engineering Research Institute Co., Ltd (中國汽車工程研究院股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601965).

Ms. Wang obtained a bachelor's degree (majored in organization work (機關工作專業)) in July 1999 from Xi'an Political College (西安政治學院), where she also received her master's degree (majored in organization work (機關工作專業) and part-time) in February 2006. Ms. Wang was qualified as a senior engineer (高級工程師) in December 2018 by the State Administration for Market Regulation of China (中華人民共和國國家市場監督管理總局).

OTHER NON-EXECUTIVE DIRECTORS

Mr. Tong Chaoyin – Non-executive Director

Mr. Tong Chaoyin (童朝銀先生), aged 59, was appointed as a non-executive Director and a member of the Audit Committee on 14 May 2021 and was appointed as a member of the Risk Control Committee on 13 September 2021. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

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

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

Mr. Xu Ming – Non-executive Director

Mr. Xu Ming (徐明), aged 59, was appointed as a non-executive Director and a member of each of the Remuneration Committee and the Nomination Committee with effect from 22 June 2022. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Xu has extensive experience in corporate governance. Mr. Xu has been the general manager of Genertec Hong Kong International Capital Limited (通用技術集團香港國際資本有限公司), a subsidiary of the Company's controlling shareholder, GT-PRC, since September 2018. From August 2008 to February 2020, Mr. Xu served as a director of China Meheco Group Co., Ltd. (中國醫藥健康產業股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600056). From July 1998 to September 2018, Mr. Xu successively served as a department manager, a vice general manager and the general manager of the financial management department of GT-PRC.

Mr. Xu received a master's degree in business administration (part-time) from Tsinghua University (清華大學) in January 2013 and a bachelor's degree in accounting from Beijing Institute of Business (北京商學院) in June 1988. Mr. Xu was qualified as a senior accountant (高級會計師) in August 2002 by Appraisal and Approval Committee for Professional & Technical Qualification of GT-PRC.

Mr. Zhu Ziyang – Non-executive Director

Mr. Zhu Ziyang (朱梓陽先生), aged 28, was appointed as a non-executive Director, chairman of the Risk Control Committee and a member of the Strategy Committee with effect from 7 July 2021. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Zhu has been a non-executive director of Ping An Healthcare and Technology Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1833)) since December 2021. He has been the vice president of Hopson Development International Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 0754)) ("Hopson Development") since July 2021, responsible for operation of the Group's technology sector. He has been a non-executive director of YSB Inc. (whose shares are listed on the Main Board of the Stock Exchange (stock code: 9885)) since February 2021. He has also been the head for the medical sector of Guangdong Yuanzhi Technology Group Co., Ltd. (廣東元知科技集團有限公司). Mr. Zhu served as the assistant to the principal of the strategy committee (戰略委員會主任助理) of Hopson Development.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Yinquan – Independent Non-executive Director

Mr. Li Yinquan (李引泉先生), aged 69 was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Audit Committee. He was appointed as a member of each of the Remuneration Committee and the Nomination Committee on 13 September 2021. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Li has served as an independent non-executive director of Million Cities Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 2892)) since June 2018, an independent non-executive director of Hong Kong Shanghai Alliance Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1001)) since July 2018. Mr. Li has served as an independent non-executive director of China Everbright Bank Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818)) since June 2020. Mr. Li has served as an independent non-executive director of Mainland Headwear Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1100)) since September 2023 and of China Agri-Products Exchange Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 0149)) since April 2024.

Mr. Li successively served as the general manager of the financial department, chief financial officer and vice president of China Merchants Group, and the chief executive officer of China Merchants Capital Investment Co., Ltd during 2000 to 2017. He served as an executive director of China Merchants Port Holdings Company Limited (formerly known as China Merchants Holdings (International) Company Limited) (whose shares are listed on the Main Board of the Stock Exchange (stock code: 144)) from June 2001 to March 2015 and a non-executive director of China Merchants Bank Co., Ltd. (whose shares are listed on the Main Board of the Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036)) from April 2001 to June 2016. He was an executive director of China Merchants China Direct Investments Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 133)) from July 2008 to April 2017. He was an independent non-executive director of Lizhi Inc. (whose shares are listed on the NASDAQ Stock Market (stock code: LIZI)) from January 2020 to June 2021 and an independent non-executive director of Kimou Environmental Holding Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6805)) from July 2019 to December 2022.

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

Mr. Chow Siu Lui – Independent Non-executive Director

Mr. Chow Siu Lui (鄒小磊先生), aged 63, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the Audit Committee. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Chow has a wealth of experience in fund raising and initial public offering activities in Hong Kong and in accounting and financial areas. He was the partner of VMS Investment Group (HK) Ltd. from 2012 to April 2023 and he was responsible for providing advice on issues regarding fund raising, pre-IPO group restructuring and due diligence exercises for investment projects. Prior to that, Mr. Chow was in service with KPMG Hong Kong for about 28 years and was admitted as one of its partners in 1995. He was then mainly responsible for initial public offering advisory services and assisting in fund raising activities in local and overseas stock exchanges.

Mr. Chow is now an independent non-executive director of Futong Technology Development Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 465)), China Everbright Greentech Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1257)), China Tobacco International (HK) Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6055)), and AGTech Holding Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 8279)), respectively. Mr. Chow acted as an independent non-executive director of Sinco Pharmaceuticals Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6833)) from September 2015 to November 2018, Fullshare Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 607) from December 2013 to December 2021, Shanghai Dazhong Public Utilities (Group) Co., Ltd. (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1635)) from April 2016 to May 2022 and Global Cord Blood Corporation (formerly known as "China Cord Blood Corporation") (whose shares are listed on the NASDAQ Stock Market (stock code: CO)) from November 2019 to September 2022. Mr. Chow acted as a non-executive director of Renrui Human Resources Technology Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6919)) from January 2018 to April 2023.

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

Mr. Xu Zhiming – Independent Non-executive Director

Mr. Xu Zhiming (許志明先生), aged 62, was appointed as an independent non-executive Director and a member of the Remuneration Committee on 22 June 2022. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Xu Zhiming has extensive experience in corporate governance, he is a founding partner of China Broadband Capital (寬帶資本). From August 1999 to December 2001, Mr. Xu successively served as an executive director of China Resources Enterprise, Limited (華潤創業有限公司), an executive director of China Resources (Beijing) Land Limited (華潤北京置地有限公司), the managing director and chief operating officer of China Resources Logic Limited (華潤勵致有限公司). From January 2002 to May 2005, Mr. Xu successively served as a senior consultant of TOM Group Ltd. (TOM集團有限公司), and an executive director and chief operating officer of TOM Online Inc. (TOM在線有限公司). From July 2016 to November 2022, Mr. Xu served as an independent non-executive director of 東方證券股份有限公司, the shares of which are listed on the Stock Exchange (stock code: 3958) and the Shanghai Stock Exchange (stock code: 600958). From November 2021 to September 2022, Mr. Xu served as an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (天津創業環保集團股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 1065) and the Shanghai Stock Exchange (stock code: 600874).

Mr. Xu received a doctoral degree in economics from University of Manchester in the United Kingdom (英國曼徹斯特大學) in February 1993, a master's degree in industrial economy from Chinese Academy of Social Science (中國社會科學院) in July 1986 and a bachelor's degree in astrophysics from Peking University (北京大學) in July 1983.

Mr. Chan, Hiu Fung Nicholas, *MH, JP* – Independent Non-executive Director

Mr. Chan, Hiu Fung Nicholas (陳曉峰先生), aged 50, was appointed as an independent non-executive Director and a member of the Nomination Committee on 22 June 2022. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Chan is currently a practising solicitor in Hong Kong and has over 20 years of experience in the legal practice. Mr. Chan has been working at Squire Patton Boggs (翰宇國際律師事務所) since April 1999 and has been a partner of it since September 2005. Prior to that, he served as an associate at Deacons (香港的近律師事務所). Mr. Chan has ample listed company board experience, having served as (i) an independent non-executive director of China Merchants Port Holdings Company Limited (招商局港口控股有限公司), a company listed on the Stock Exchange (stock code:00144), since December 2022, (ii) an independent non-executive director of Million Cities Holdings Limited (萬城控股有限公司), a company listed on the Stock Exchange (stock code: 2892), since December 2021, (iii) an independent non-executive director of Pangeaea Connectivity Technology Limited (環聯連訊科技有限公司), a company listed on the Stock Exchange (stock code: 1473), since January 2021, (iv) an independent non-executive director of Q P Group Holdings Limited (雋思集團控股有限公司), a company listed on the Stock Exchange (stock code:1412), since December 2019, and (v) an independent non-executive director of Sa Sa International Holdings Limited (莎莎國際控股有限公司), a company listed on the Stock Exchange (stock code:0178), since September 2019.

Mr. Chan graduated from the University of Melbourne, Australia (澳大利亞墨爾本大學), in March 1997 with a degree of bachelor of laws and a degree of bachelor of science. Mr. Chan was admitted as a solicitor in Hong Kong in May 1999. He was also admitted as a solicitor of Australia Capital Territory, the State of Victoria in Australia and England and Wales in June 1997, October 2000 and October 2007, respectively. He was appointed as a China-Appointed Attesting Officer (中國委託公證人) by Ministry of Justice of the People's Republic of China (中華人民共和國司法部).

Mr. Chan has been appointed to serve as the Director to lead the operations of AALCO Hong Kong Regional Arbitration Centre since May 2022. The centre was established by agreement between the Central People's Government of the People's Republic of China and the Asian-African Legal Consultative Organization, an intergovernmental organization established in 1956 and now with 47 member countries.

Mr. Chan has served as the director of Hong Kong Cyberport Management Company Limited (香港數碼港管理有限公司) and the chairman of the Knowledge Transfer Committee of The Chinese University of Hong Kong, since April 2024 for a term of two years, respectively. He has been appointed as an Executive Committee of the Council and a member of the Audit and Risk Management Committee of The Chinese University of Hong Kong respectively from April 1, 2024 to March 31, 2026. He has also been appointed as the chairman of the Advisory Committee for the Innovation and Technology Fund under the Innovation and Technology Commission of the Government of the HKSAR (香港特別行政區政府創新科技署創新及科技基金諮詢委員會) in June 2023. Mr. Chan has been appointed as a member of the Committee on Innovation, Technology and Industry Development of the Government of the HKSAR in March 2023 for a term of two years. He was also appointed as a member of the Communications Authority, an independent statutory body established under the Communications Authority Ordinance (Cap. 616), in March 2023, and the tenure of the appointment is two years with effect from April 2023. Mr. Chan is appointed for a three years term to serve as a council member of The Chinese University of Hong Kong from June 2022. Mr. Chan served as a council member of The Hong Kong University of Science and Technology (香港科技大學) from April 2016 to March 2022. He was appointed as a member to the Legal Aid Services Council (法律援助服務局) from September 2018 to August 2022. Mr. Chan has been appointed as a member of the Hospital Governing Committee of Castle Peak Hospital and Siu Lam Hospital (青山醫院及小欖醫院管治委員會) since April 2019. He served as chairman of eBRAM International Online Dispute Resolution Centre Limited (一邦國際網上仲調中心), an independent and not-for-profit organisation under Hong Kong law as a company limited by guarantee. Mr. Chan was appointed as a representative of the 13th National People's Congress of the PRC in 2019 and was elected as the Hong Kong Deputy to the 14th National People's Congress in 2023. He was awarded the Medal of Honour from the Government of the HKSAR (香港特別行政區政府榮譽勳章) in July 2016 and has also been appointed as a Justice of the Peace (太平紳士) by the Government of the HKSAR in July 2021.

SENIOR MANAGEMENT

For the biographical details of Ms. Peng Jiahong, Mr. Wang Wenbin and Ms. Wang Lin, please refer to the section headed "– Directors".

Ms. Wang Shinan (王詩楠) – Chief Accounting Officer, General Counsel

Ms. Wang Shinan (王詩楠女士), aged 41, was appointed as the chief accounting officer of the Company in April 2023, and the general counsel of the Company in June 2023. She is also a director of Genertec Universal Medical Development (BVI) Co., Ltd., and the chairwoman of Genertec Universal Mevion Medical Science and Technology (Tianjin) Co., Ltd. (通用環球邁勝醫療科技 (天津) 有限公司).

Prior to joining the Group, Ms. Wang worked as the secretary of the Discipline Inspection Committee and a member of the Party Committee of Genertec Capital Co., Ltd. (通用技術集團資本有限公司) from November 2022 to April 2023, and the secretary of the Discipline Inspection Committee, deputy general manager and a member of the Party Committee of Genertec Investment Management Co., Ltd. (通用技術集團投資管理有限公司) from August to November 2022. From July 2004 to August 2021, she held various positions in the finance department of Genertec International Trading Corporation (通用國際貿易有限責任公司), the financial management department of GT-PRC, and Genertec Asset Management Co., Ltd. (通用技術集團資產管理有限公司), including the manager of the accounting management department and a deputy manager of the finance department, etc.

Ms. Wang obtained a bachelor's degree in management in 2004 from Renmin University of China (中國人民大學), where she also received her master's degree in accounting in 2015. Ms. Wang was qualified as a senior accountant (高級會計師) in November 2015 by the Appraisal and Approval Committee for Professional & Technical Qualification of GT-PRC.

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report of the year 2023 together with the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL BUSINESS ACTIVITIES

The Group is a leading medical and health conglomerate in China. Our business can be divided into two major sectors, i.e. hospital group business and finance business.

BUSINESS REVIEW

Part of the business review as required under Schedule 5 of the Companies Ordinance is included in the section headed "Management Discussion and Analysis" in this annual report on pages 14 to 59 and such contents form part of this Directors' Report.

In addition, the Group's policies and performance in environmental, social and governance aspects, and compliance with relevant laws and regulations has been disclosed in the 2023 Environmental, Social and Governance Report separately published by the Company.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss on page 132 of this annual report.

The Board recommended the payment of a final dividend of HKD0.35 per Share for the year ended 31 December 2023 (the "**2023 Final Dividend**"), which is subject to the approval of the Shareholders at the 2024 AGM. Subject to the approval of the Shareholders at the 2024 AGM, the 2023 Final Dividend is expected to be paid to the eligible Shareholders by no later than 31 July 2024.

A circular containing, among other things, further information in respect of the 2024 AGM and the proposed distribution of the 2023 Final Dividend will be dispatched to the Shareholders in due course.

DIVIDEND POLICY

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

CLOSURE OF REGISTER OF MEMBERS

The notice of the 2024 AGM will be published and dispatched to Shareholders in accordance with the requirements of the Listing Rules and the Articles of Association. The Company will announce the period of closure of register of members in the notice of the 2024 AGM to be issued or the announcement to be otherwise issued.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 30 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2023.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 137 to 140 of this annual report and Note 31 to the financial statements, respectively.

As at 31 December 2023, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB8,050.3 million.

DIRECTORS

During the financial year ended 31 December 2023 and up to the date of this report, our Directors were as follows:

Executive Directors

Ms. Peng Jiahong
Mr. Wang Wenbing
Ms. Wang Lin (appointed with effect from 25 July 2023)
Mr. Yu Gang (resigned with effect from 21 June 2023)

Non-executive Directors

Mr. Chan Kai Kong
Mr. Tong Chaoyin
Mr. Xu Ming
Mr. Zhu Ziyang

Independent Non-executive Directors

Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Xu Zhiming
Mr. Chan, Hiu Fung Nicholas

DIRECTORS OF SUBSIDIARIES

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2023
1	CULC	Peng Jiahong
2	Genertec Universal International Financial Leasing (Tianjin) Co., Ltd. (通用環球國際融資租賃(天津)有限公司)	Peng Jiahong
3	Genertec Universal Medical Technology Services (Tianjin) Co., Ltd. (通用環球醫療技術服務(天津)有限公司)	Wang Fang
4	Hospital Investment Co., Ltd.	Peng Jiahong
5	Genertec CREC (Beijing) Hospital Management Co., Ltd. (通用中鐵(北京)醫院管理有限公司)	Guo Xiaolian Qiu Cheng Xue Wuqiang Zeng Xi Li Zheng
6	Xi'an Ronghui Hospital Construction Management Co., Ltd. (西安融慧醫院建設管理有限公司)	Zhu Jiawei
7	Shaanxi Huahong Pharmaceutical Co., Ltd. (陝西華虹醫藥有限公司)	Wang Fang
8	Genertec Universal Medical Development (BVI) Co., Ltd.	Wang Shinan
9	Sichuan Zhongqi Health Industry Co., Ltd (四川眾齊健康產業有限公司)	Yu Chao

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2023
10	Genertec Universal Medical (Xi'an) Co., Ltd. (通用環球醫療(西安)有限公司)	Guo Xiaolian Du Wenzhao Wang Shuangquan Wang Shuo Li Zheng
11	Yantai Harbour Hospital Co., Ltd. (煙台海港醫院有限公司)	Guo Xiaolian Wang Yantao Zhang Jian Meng Fanxue Yong Weijie Lu Na
12	Genertec Universal Xi'an Aero-Engine Hospital (Xi'an) Co., Ltd. (通用環球西航醫院(西安)有限公司)	Guo Xiaolian
13	Genertec Ansteel Hospital Management Co., Ltd. (通用鞍鋼醫院管理有限公司)	Peng Jiahong Liu Xin Liu Chuan Ping Shouguo Guo Xiaolian
14	Genertec Universal Caihong (Xianyang) Hospital Management Co., Ltd. (通用環球彩虹(咸陽)醫院管理有限公司)	Guo Xiaolian Kang Pengjiang Zhang Bing Wang Shuo Li Zheng
15	Genertec Universal CREC (Xi'an) Hospital Management Co., Ltd. (通用環球中鐵(西安)醫院管理有限公司)	Guo Xiaolian Qiu Cheng Li Zheng Zeng Xi Xue Wuqiang
16	Genertec Universal Medical Technology Advisory (Yantai) Co., Ltd. (通用環球醫療技術咨詢(煙台)有限公司)	Meng Fanxue
17	Genertec Universal Medical Science and Technology (Hainan) Co., Ltd. (通用環球醫療科技(海南)有限公司)	Li Huaming

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2023
18	Shaanxi CREC Elderly Care Management Co., Ltd (陝西中鐵養老管理有限公司)	Qiu Cheng
19	Chengdu Genertec Jindian Hospital Management Co., Ltd. (成都通用錦電醫院管理有限公司)	Li Zheng
20	Genertec Ansteel (Anshan) Health Industry Co., Ltd. (通用鞍鋼(鞍山)健康產業有限公司)	Ding Xin
21	Liaoning Xingye	Wang Yunfeng
22	Genertec Minmetals	Guo Xiaolian
23	Shaanxi CREC Occupational Health Technology Services Co., Ltd. (陝西中鐵職業衛生技術服務有限公司)	Liang Xiaoxia
24	Genertec Universal (Tianjin) Hospital Group Co., Ltd. (通用環球(天津)醫院集團有限公司)	Peng Jiahong
25	GUHID	Peng Jiahong
26	Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd. (通用環球兵工(西安)醫院管理有限公司)	Wang Shuo Chen Hong Kang Yanping
27	Genertec Universal (Xi'an) Health Hospital Management Co., Ltd. (通用環球(西安)健康醫院管理有限公司)	Wang Shuo Sun Anzhi Dong Huiling Guo Xiaolian Ren Chao
28	Genertec Universal Chinacoal (Handan) Hospital Management Co., Ltd. (通用環球中煤(邯鄲)醫院管理有限公司)	Wang Fang Huang Zhijie Liu Guiyin Bi Zhenli Zhou Yongmei

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2023
29	Genertec Universal Huayang Shanxi Health Industry Co., Ltd. (通用環球華陽山西健康產業有限公司)	Jia Zhiwen Zhang Zhen Guo Xiaolian Wang Wei Liu Ziyuan Wang Fang Zhang Donghong
30	Yangquan Tianhetang Pharmacy Co., Ltd. (陽泉市天和堂藥店有限公司)	Feng Juan
31	Liangshanzhou Huankang Hospital Management Co., Ltd. (涼山州環康醫院管理有限公司)	Zhang Hongjun Yu Chao Li Zheng Xiao Jiankun Du Zhuozhuang
32	Liangshanzhou Panxin Health Management Co., Ltd. (涼山州攀新健康管理有限公司)	Xiao Jiankun
33	Beijing Huankang Hospital Management Co., Ltd. (北京環康醫院管理有限公司)	Guo Xiaolian Bao Zongyu Guo Xiaojuan
34	Beijing Guotong Huankang Hospital Management Co., Ltd. (北京國通環康醫院管理有限公司)	Guo Xiaolian

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Biographical details of the Directors are set out on pages 82 to 90 of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

As at 31 December 2023, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

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

Executive Directors

Ms. Peng Jiahong entered into a service contract with the Company, pursuant to which she agreed to act as an executive Director for an initial term of five years with effect from 22 December 2014. Ms. Peng Jiahong's service in the Company was extended for three years on 22 December 2019 and was further extended for another three years commencing from 22 December 2022. Pursuant to the resolutions in writing of the shareholders passed on 10 June 2015 and the board resolutions passed on 30 October 2019 and 26 April 2022, respectively, the form and substance of the service contracts (including the duration thereof) made between Ms. Peng Jiahong and the Company were approved.

Mr. Wang Wenbing entered into a service contract with the Company as an executive Director, pursuant to which he was appointed on 13 September 2021 and would hold office until the commencement of the next annual general meeting of the Company following his appointment, and then shall be eligible for re-election at that general meeting. Pursuant to the Shareholders' approval at the Company's 2022 annual general meeting on 7 June 2022 ("2022 AGM"), such service contract was extended for three years commencing from the 2022 AGM.

Ms. Wang Lin entered into a service contract with the Company as an executive Director, pursuant to which she was appointed on 25 July 2023 and would hold office until the commencement of the next annual general meeting of the Company following her appointment, and then shall be eligible for re-election at that general meeting.

Mr. Yu Gang resigned as an executive Director with effect from 21 June 2023.

The aggregate amount of the basic annual salaries paid to Ms. Peng Jiahong, Mr. Wang Wenbing and Ms. Wang Lin by the Company in 2023 is approximately RMB3.26 million. In addition, each of the executive Directors is also entitled to a discretionary management bonus taking into consideration the financial performance of the Group and the relevant executive Director's individual contribution to the Group for the financial year concerned. An executive Director may not vote on any resolution of Directors regarding the amount of the management bonus payable to him/her.

Non-executive Directors and Independent Non-executive Directors

Each of Mr. Chan Kai Kong and Mr. Xu Ming entered into a letter of appointment with the Company on 22 June 2022, pursuant to which each of them was appointed as a non-executive Director with effect from the signing date of their corresponding letter of appointment and would hold office until the commencement of the next annual general meeting of the Company following their appointments, and then shall be eligible for re-election at that general meeting. Pursuant to the Shareholders' approval at the Company's 2023 annual general meeting on 7 June 2023 ("2023 AGM"), each of Mr. Chan Kai Kong and Mr. Xu Ming was re-elected as a non-executive Director. Mr. Tong Chaoyin entered into a letter of appointment with the Company as a non-executive Director, pursuant to which he was appointed since 14 May 2021, and he shall hold office until the conclusion of the next annual general meeting of the Company following his appointment, and shall then be eligible for re-election at that general meeting. Pursuant to the Shareholders' approval at the Company's 2021 annual general meeting on 8 June 2021, such letter of appointment was extended and he shall hold office until the commencement of third annual general meeting of the Company following the extension. Mr. Zhu Ziyang entered into a letter of appointment with the Company as a non-executive Director, pursuant to which he was appointed since 7 July 2021, and he shall hold office until the conclusion of the next annual general meeting of the Company following his appointment, and shall then be eligible for re-election at that general meeting. Pursuant to the Shareholders' approval at the 2022 AGM, such service contract was extended and he shall hold office until the commencement of third annual general meeting of the Company following the extension.

Each of Mr. Xu Zhiming and Mr. Chan, Hiu Fung Nicholas entered into a letter of appointment with the Company on 22 June 2022, pursuant to which each of them was appointed as an independent non-executive Director with effect from the signing date of the letter of appointment and would hold office until the commencement of the next annual general meeting of the Company following their appointments, and then shall be eligible for re-election at that general meeting. Pursuant to the 2023 AGM, each of Mr. Xu Zhiming and Mr. Chan, Hiu Fung Nicholas was re-elected as an independent non-executive Director. Each of Mr. Li Yinquan and Mr. Chow Siu Lui has respectively entered into a letter of appointment with the Company on 6 March 2021 to extend his service in the Company for a term of three years commencing from 9 June 2021.

The non-executive Directors are not entitled to any director's fee. Each of the independent non-executive Directors is entitled to a director's fee of HKD400,000 per annum.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers that each of the independent non-executive Directors, namely Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Xu Zhiming and Mr. Chan, Hiu Fung Nicholas, is independent.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Directors and the senior management of the Group for the year ended 31 December 2023 are set out in Note 7 and Note 8 to the consolidated financial statements of the Company, respectively. The remuneration of two senior management personnels fell within the band from HKD3,500,001 to HKD4,000,000. one senior management personnel's remuneration fell within the band from HKD6,500,001 to HKD7,000,000.

PERMITTED INDEMNITY PROVISION

In accordance with the definition of section 469 of the Companies Ordinance, the permitted indemnity provision in relation to the director's and officer's liability insurance was in force during the financial year ended 31 December 2023 and remains in force as at the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

The Company has entered into certain continuing connected transaction framework agreements with GT-PRC and/or its associates, as set out in the section headed "Continuing Connected Transactions" on pages 110 to 121 of this annual report.

In addition, on 31 December 2023, CULC entered into a partnership agreement with, among others, GT-PRC and certain associates of GT-PRC in respect of, among other things, the formation of a limited partnership investment fund. Details of the transaction were set out in the Company's announcements dated 22 December 2023 and 2 January 2024. On 25 December 2023, Hospital Investment Co., Ltd. entered into a transfer agreement with a wholly owned subsidiary of GT-PRC, pursuant to which Hospital Investment Co., Ltd. agreed to acquire the interests of the target hospitals held by such subsidiary of GT-PRC. Details of the transaction were set out in the Company's announcement dated 26 December 2023. On 19 July 2023, CULC (as the lessee) entered into a lease agreement with a wholly owned subsidiary of GT-PRC (as the lessor) to lease certain properties. Details of the transaction were set out in the Company's announcement dated 19 July 2023. On 12 May 2023, the Company, Hospital Investment Co., Ltd. and Xinxing Construction (a subsidiary of GT-PRC) entered into a cooperation agreement to establish a joint venture (the "Joint Venture"). Upon the establishment of the Joint Venture, its registered capital will be held by Hospital Investment Co., Ltd. and Xinxing Construction as to 66% and 34%, respectively, and the Joint Venture will be accounted as a subsidiary of the Company. On 30 May 2023, an affiliated hospital of the Joint Venture (as the lessee) entered into a lease agreement with Xinxing Construction (as the lessor) to lease certain properties. Details of the transactions were set out in the Company's announcement dated 30 May 2023. On 3 March 2023, GUHID entered into an agreement with GT-PRC and certain subsidiaries of GT-PRC to establish a joint venture. Details of the transaction were set out in the Company's announcement dated 3 March 2023. Mr. Tong Chaoyin and Mr. Xu Ming hold positions in GT-PRC or its close associates, but they do not hold any management position within the Company and are not involved in the daily management of the Company.

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

COMPETING BUSINESS

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

During the year ended 31 December 2023, none of the controlling shareholder of the Company or its close associates was considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the core businesses as defined in the Non-competition Undertakings.

During the year ended 31 December 2023, Mr. Tong Chaoyin and Mr. Zhu Ziyang, each a non-executive Director, had interests in the following business, which is considered to compete or be likely to compete, either directly or indirectly, with our businesses:

Name of Directors	Name of Company	Interest in the Competing Business	Nature of the Competing Business
Tong Chaoyin	GT-PRC Healthcare Company Limited	Director	Medical and healthcare business
Zhu Ziyang	Ping An Healthcare and Technology Company Limited	Non-executive director	Medical and healthcare business

As each of Mr. Tong Chaoyin and Mr. Zhu Ziyang was not a member of our executive management team, we do not believe that their respective interests in the above business as a director would render us incapable of carrying on our businesses independently from GT-PRC Healthcare Company Limited and Ping An Healthcare and Technology Company Limited.

Save as disclosed above, during the year ended 31 December 2023, none of the Directors or their respective close associates was considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with our businesses.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at 31 December 2023, other than the circumstances as disclosed in the Prospectus, and the announcements of the Company dated 8 September 2021, 27 July 2023 and 15 December 2023, respectively, there were no other circumstances that give rise to a disclosure required under Rule 13.18 of the Listing Rules.

PENSION SCHEME

Details of the pension scheme of the Company are set out in the paragraph headed "Post-Retirement Benefit Obligations" in Note 29 to the financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed below, no equity-linked agreements were entered into by the Company during the year ended 31 December 2023 or subsisted at the end of the year ended 31 December 2023.

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 issued share capital of the Company, unless being approved by the Shareholders at a general meeting.

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

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

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

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

Name of Directors	Position	Number of Shares to be issued upon full exercise of the options granted
Ms. Peng Jiahong	Executive Director and Chairwoman of the Board	1,322,000
Mr. Yu Gang	Executive Director (resigned with effect from 21 June 2023)	1,322,000

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

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

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

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

Details of the options granted under the Share Option Scheme and those remained outstanding as at 31 December 2023 are as follows:

	Number of Options					
Name of Option Holders	Outstanding as at 1 January 2023	Exercised During the Report Period	Cancelled During the Report Period	Lapsed During the Report Period	Outstanding as at 31 December 2023	Exercise Price (1)
Directors						
Ms. Peng Jiahong	881,333	–	440,666(2)	440,667(4)	0	HKD5.97(1)
Mr. Yu Gang (resigned with effect from 21 June 2023)	881,333	–	440,666(5)	440,667(5)	0	HKD5.97(1)
Other Employees	6,373,338	–	3,678,342(2)(3)	2,694,996(4)	0	HKD5.97(1)
Total	8,136,004	–	4,559,674(2)(3)(5)	3,576,330(4)(5)	0	

Notes:

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

(2) Pursuant to the Share Option Scheme, one-third of the options originally granted were cancelled due to the unfulfilled certain conditions.

(3) Due to resignation of certain grantees during the year ended 31 December 2023, 983,334 options were cancelled.

(4) Pursuant to the Share Option Scheme, one-third of the options originally granted were lapsed automatically on 31 December 2023.

(5) Due to retirement of Mr. Yu Gang, 440,666 options were cancelled in July 2023 and 440,667 options were lapsed in December 2023.

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

Details of the impact of the options granted under the Share Option Scheme on the consolidated financial statements since the grant date of such options and the subsequent financial periods are set out under Note 39 to the consolidated financial statements in this report.

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

MANAGEMENT CONTRACTS

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

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

As at 31 December 2023, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Long Positions in the Shares and the underlying Shares:

Name of Shareholders	Nature of interest	Number of Shares interested	Approximate percentage of interest held in the Company
GT-HK *(Note 1)*	Beneficial owner	681,373,395	36.02%
GT-PRC *(Note 1)*	Interest of controlled corporation	744,851,700	39.38%
Trustar Capital Holdings Limited *(Note 2)*	Interest of controlled corporation	191,349,753	10.12%
CP Management Holdings Limited *(Note 2)*	Interest of controlled corporation	191,349,753	10.12%
Zhang Yichen *(Note 2)*	Interest of controlled corporation	191,349,753	10.12%
CITIC Capital *(Note 2 and 3)*	Interest of controlled corporation	233,342,753	12.34%
Chu Mang Yee *(Note 4)*	Interest of controlled corporation	245,629,081	12.99%
Sounda Properties *(Note 4)*	Beneficial owner	4,806,000	0.25%
	Interest of controlled corporation	240,823,081	12.73%
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%

Notes:

1. Among the 744,851,700 Shares, 681,373,395 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 744,851,700 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 191,349,753 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 Trustar Capital Partners Limited. Trustar Capital Partners Limited is indirectly wholly owned by Trustar Capital Holdings Limited through Trustar Capital Company Limited. Trustar Capital Holdings Limited is held as to 49% and 51% 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, Trustar Capital Holdings Limited, CITIC Capital, CP Management Holdings Limited and Mr. Zhang Yichen are deemed to be interested in the 191,349,753 Shares directly held by CCP Leasing II Limited.

3. Other than the 191,349,753 Shares mentioned above, CITIC Capital is also interested in another 41,993,000 Shares, which are indirectly held by CITIC Capital (Tianjin) through its wholly owned subsidiary, Infinite Benefits Limited. CITIC Capital (Tianjin) is held as to 62.31% by Prestige Way Limited, a wholly owned subsidiary of Prestige Way Holdings Limited. Prestige Way Holdings Limited is a wholly owned subsidiary of CITIC Capital MB Investment Limited, which is wholly owned by CITIC Capital. By virtue of the SFO, CITIC Capital is deemed to be interested in the 41,993,000 Shares.

4. Among the 245,629,081 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) 70,988,000 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 4,806,000 Shares held by Sounda Properties.

   Million Surplus Developments is wholly owned by Meta Group Limited, which in turn, is indirectly owned as to 80% by Sounda Hopson Investment Holdings Limited ("Sounda Hopson Investment") through Sounda Hopson Technology Holdings Limited and Sounda Hopson Technology Investment Limited. Sounda Properties holds 100% of the equity interest in Sounda Hopson Investment. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 169,835,081 Shares held by Million Surplus Developments.

   Hopson E-Commerce, through Hopson Capital International Limited, is indirectly wholly owned by Hopson Development International Limited. Hopson Development International Limited is 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 70,988,000 Shares held by Hopson E-Commerce.

   Therefore, Mr. Chu Mang Yee is deemed to be interested in a total of 245,629,081 Shares.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any person who had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2023, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in Shares

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

Note:

(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.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

The information of the customers and suppliers is as follows:

	Percentage of the total income (before business taxes and surcharges) for the year ended 31 December 2023
Five largest customers	2%
The largest customer	1%

	Percentage of the total cost of sales for the year ended 31 December 2023
Five largest suppliers	6%
The largest supplier	2%

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

EMPLOYEES

As at 31 December 2023, the Group had a total of 21,089 employees, while it had a total of 20,077 employees as at 31 December 2022.

For the year ended 31 December 2023, the Group did not experience any strikes or significant labor disputes which materially affected the operation of the Group. The Group maintained good relationship with its employees.

CONTINUING CONNECTED TRANSACTIONS

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

The Group has complied with the pricing policy of the Group in respect of the continuing connected transactions for the year ended 31 December 2023.

GT-PRC holds approximately 39.38% of the total issued Shares through its wholly-owned subsidiaries and is the controlling shareholder of the Company. Therefore, GT-PRC and its associates constitute connected persons of the Company.

Medical Consumables Sales Framework Agreement and Pharmaceuticals Sales Framework Agreement

On 30 November 2022, Liaoning Xingye entered into a medical consumables sales framework agreement (the "Medical Consumables Sales Framework Agreement") with Shenyang Aerospace Hospital (瀋陽航天醫院) ("Shenyang Aerospace") (an associate of GT-PRC), pursuant to which, Liaoning Xingye would sell medical consumables to Shenyang Aerospace from time to time in accordance with the terms thereof. The Medical Consumables Sales Framework Agreement commenced from 30 November 2022 to 31 December 2023.

On 1 January 2023, Liaoning Xingye entered into a pharmaceuticals sales framework agreement (the "Pharmaceuticals Sales Framework Agreement") with Shenyang Aerospace, pursuant to which, Liaoning Xingye would sell pharmaceuticals to Shenyang Aerospace from time to time in accordance with the terms thereof. The Pharmaceuticals Sales Framework Agreement commenced from 1 January 2023 to 31 December 2023.

The Group is an integrated healthcare products provider offering a variety of medical consumables and pharmaceuticals. The Group could provide such products to GT-PRC and its associates, leveraging the advantages of geographical location and transportation convenience to provide such products, so as to efficiently and conveniently meet the demand of GT-PRC and its associates (mainly medical institutions) for the procurement of pharmaceuticals and medical consumables, and to deepen the synergies of resources among the central state-owned enterprises.

For the period from 30 November 2022 to 31 December 2022 and the year ending 31 December 2023, the total contract amount under the medical consumables sales agreement(s) to be entered into between Liaoning Xingye and Shenyang Aerospace was not expected to exceed RMB0.2 million and RMB2.0 million, respectively. Pursuant to the announcement of the Company dated 30 October 2023, for the year ended 31 December 2023, the annual caps had been revised to RMB6.0 million (“Revised Annual Caps I”). The Revised Annual Caps I were based on the positive trend in Shenyang Aerospace’s demand for medical supplies including medical consumables. For the year ended 31 December 2023, the actual transaction amount under the Medical Consumables Sales Framework Agreement did not exceed the annual caps thereunder.

For the year ending 31 December 2023, the total contract amount under the pharmaceuticals sales agreement(s) to be entered into between Liaoning Xingye and Shenyang Aerospace was not expected to exceed RMB4.0 million. Pursuant to the announcement of the Company dated 30 October 2023, for the year ending 31 December 2023, the annual caps had been revised to RMB8.0 million (“Revised Annual Caps II”). The Revised Annual Caps II were based on the positive trend in Shenyang Aerospace’s demand for medical supplies including pharmaceuticals. For the year ended 31 December 2023, the actual transaction amount under the Pharmaceuticals Sales Framework Agreement did not exceed the annual caps thereunder.

Please refer to the Company’s announcement dated 30 October 2023 for the details of the Medical Consumables Sales Framework Agreement, the Pharmaceuticals Sales Framework Agreement and the annual caps thereunder.

The Digitalization-based Procurement Framework Agreement

On 27 October 2023, the Company entered into a digitalization-based product and service procurement framework agreement (the “2023 Digitalization-based Procurement Framework Agreement”) with GT-PRC, pursuant to which, the Company and/or its subsidiaries will purchase relevant digitalization products and/or services from GT-PRC and/or its associates. For the period from 27 October 2023 to 31 December 2023, the total amount payable by the Group for products/services procurement from GT-PRC and/or its associates was not expected to exceed RMB59.0 million. For the year ended 31 December 2023, the actual transaction amount under the 2023 Digitalization-based Procurement Framework Agreement did not exceed the annual cap thereunder.

To renew the 2023 Digitalization-based Procurement Framework Agreement, the Company entered into a digitalization-based product and service procurement framework agreement (the “Digitalization-based Procurement Framework Agreement”) with GT-PRC on 23 November 2023. The Digitalization-based Procurement Framework Agreement would come into effect from 1 January 2024 until 31 December 2026 and may be renewed by mutual consent.

The Company entered into the Digitalization-based Procurement Framework Agreement because it can make maximum use of the advantages of the medical digital technology platform of GT-PRC, which can not only enhance the efficiency of system construction and reduce the cost of external procurement, but also enable the Group to use the professional products of upgraded iterative computation and highly efficient and customized services more quickly under the premise of saving its own upgrading research and development cost and manpower cost.

For the three years ending 31 December 2024, 2025 and 2026, the total amount for digitalization-based products/services procured by the Group from GT-PRC and/or its associates is not expected to exceed RMB120.0 million, RMB120.0 million and RMB125.0 million, respectively. The above proposed annual cap are based on the following factors: (i) the historical transaction amounts and the expected transaction amounts for the procurement of digitalization-based products and services by the Company from GT-PRC and its associates in the future; (ii) the high demand for internet techniques and service, and the Group's expectation on achieving high-quality development of the medical sector and grasp the initiative of digital transformation, all of which will result in the Group's growing demand for the procurement of digitalization-based and services; and (iii) the expected increase in the production or trade costs of relevant products and the labor costs of relevant services with reference to the general growth trend in digital industrialization.

Please refer to the Company's announcement dated 30 October 2023 relating to the 2023 Digitalization-based Procurement Framework Agreement, and the Company's announcement dated 23 November 2023 relating to the Digitalization-based Procurement Framework Agreement.

The Digitalization-based Sales Framework Agreement

On 27 October 2023, the Company entered into a digitalization-based product and service sales framework agreement (the "2023 Digitalization-based Sales Framework Agreement") with GT-PRC, pursuant to which, the Company and/or its subsidiaries will provide relevant digitalization products and/or services to GT-PRC and/or its associates. For the period from 27 October 2023 to 31 December 2023, the total amount payable by GT-PRC and/or its associates was not expected to exceed RMB23.0 million. For the year ended 31 December 2023, the actual transaction amount under the 2023 Digitalization-based Sales Framework Agreement did not exceed the annual cap thereunder.

To renew the 2023 Digitalization-based Sales Framework Agreement, the Company entered into a digitalization-based product and service sales framework agreement (the "Digitalization-based Sales Framework Agreement") with GT-PRC on 23 November 2023. The Digitalization-based Sales Framework Agreement would come into effect from 1 January 2024 until 31 December 2026 and may be renewed by mutual consent.

The Company entered into the Digitalization-based Sales Framework Agreement, so that the Group's self-developed Internet health platform would also leverage on the synergies with GT-PRC to expand its external sales channels and obtain more profit returns.

For the three years ending 31 December 2024, 2025 and 2026, the total sales amount for digitalization-based products and/or services provided by the Group to GT-PRC and/or its associates is not expected to exceed RMB13.0 million, RMB16.0 million and RMB20.0 million, respectively. The above proposed annual caps are based on the following factors: (i) the historical transaction amounts and the expected transaction amounts for the procurement of digitalization-based products and/or services by GT-PRC and its associates in the future; (ii) the high demand for digitalization-based products and services, and digital construction of GT-PRC, all of which will result in GT-PRC's growing demand for the procurement of digitalization-based products and services; and (iii) the expected increase in the production or trade costs of relevant products and the labor costs of relevant services with reference to the general growth trend in digital industrialization.

Please refer to the Company's announcement dated 30 October 2023 relating to the 2023 Digitalization-based Sales Framework Agreement, and the Company's announcement 23 November 2023 relating to the Digitalization-based Sales Framework Agreement.

Medical Related Product Procurement Framework Agreement

The Company and GT-PRC entered into a product procurement framework agreement on 10 November 2020 (the "2021 Product Procurement Framework Agreement"). For the year ended 31 December 2023, the actual transaction amount did not exceed the annual cap under the 2021 Product Procurement Framework Agreement.

To renew the 2021 Product Procurement Framework Agreement, the Company entered into a medical related product procurement framework agreement (the "Medical Related Product Procurement Framework Agreement") with GT-PRC on 23 November 2023, pursuant to which the Company and/or its subsidiaries will purchase medical related products and ancillary logistics and warehousing services from GT-PRC and/or its associates. The Medical Related Product Procurement Framework Agreement would come into effect from 1 January 2024 until 31 December 2026 and may be renewed by mutual consent.

The Company entered into the Medical Related Product Procurement Framework Agreement because GT-PRC and its associates have abundant business resources and extensive experience in integrating and introducing international advanced technology and major equipment, as well as rich hospital resources. All import and export companies under GT-PRC are largescale state-owned enterprises engaged in the importation of equipment and instruments in the PRC. In addition, pharmaceutical, medical consumable and equipment manufacturing companies under GT-PRC are also leaders in their respective sectors. With leveraging the advantage of centralized procurement of resources integration of each medical platform of GT-PRC, the Group can effectively reduce the procurement cost of supply chain, unify the management standard, guarantee the quality of procurement and supply, strengthen the centralized and unified management of medical supply chain of pharmaceuticals and medical consumables, and promote the centralized procurement and supply management across various segments under the management of the Company to realize complementary advantages and achieve win-win cooperation. The Company has maintained a long-term cooperative relationship with GT-PRC and its associates. Leveraging on such cooperative relationship, the Company believes that continuing to procure products from GT-PRC and its associates is more efficient and can better satisfy the Group's need for providing customized services to customers.

For the three years ending 31 December 2024, 2025 and 2026, the total amount for medical related product procured from GT-PRC and/or its associates by the Group is not expected to exceed RMB266.0 million, RMB307.0 million and RMB328.0 million, respectively. The above proposed annual caps are based on the following factors: (i) the historical transaction amounts for the procurement of pharmaceuticals, medical consumables, equipment and devices by the Company from GT-PRC and its associates; (ii) the development of the Group's clinical department upgrade services to help hospitals in the PRC establish, modernize and upgrade their clinical department capabilities in medical areas with high and growing demand, and the Group's growing supply chain business under hospital group business, all of which will result in the Group's growing demand for the procurement of medical equipment and devices and medical consumables and medicine; (iii) the policy developments leading to an expanded scope of centralized procurement, which may further result in an increase in the procurement business with GT-PRC and/or its associates; (iv) the expected increase in the number of medical institutions within the Group which may enter into collaborative relationship with GT-PRC and/or its associates; and (v) the expected increase in the production or trade costs of relevant products with reference to the general growth trend in healthcare industry.

Please refer to the Company's announcements dated 10 November 2020 and 30 October 2023 for the details of the 2021 Product Procurement Framework Agreement and the annual caps thereunder, and the Company's announcement 23 November 2023 relating to the Medical Related Product Procurement Framework Agreement.

Property Lease Framework Agreement

The Company and GT-PRC entered into a property lease framework agreement on 10 November 2020 (the "2021 Property Lease Framework Agreement"). For the year ended 31 December 2023, the actual transaction amount did not exceed the annual cap under the 2021 Property Lease Framework Agreement.

To renew the 2021 Property Lease Framework Agreement, the Company entered into a property lease framework agreement (the "Property Lease Framework Agreement") with GT-PRC on 23 November 2023, pursuant to which the Company and/or its subsidiaries will lease properties from GT-PRC and/or its associates for office and warehousing purposes and purchase miscellaneous property services accordingly. The Property Lease Framework Agreement would come into effect from 1 January 2024 until 31 December 2026 and may be renewed by mutual consent.

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

For the three years ending 31 December 2024, 2025 and 2026, total annual rental payable by the Group to GT-PRC and/or its associates is not expected to exceed RMB96.0 million, RMB17.0 million, and RMB17.0 million, respectively, and for each of the three years ending 31 December 2024, 2025 and 2026, total amount payable by the Group to GT-PRC and/or its associates for miscellaneous property services is not expected to exceed RMB14.0 million. The above proposed annual caps are based on the following factors: (i) the total property area leased by the Group from GT-PRC and its associates as of the date of the Property Lease Framework Agreement; (ii) the unit rental stipulated in separate property lease agreements between the Group and GT-PRC or its associates, which is normally adjusted by GT-PRC and its associates on an annual basis with reference to the prevailing market conditions; and (iii) the estimated demand for office premises which may be leased from GT-PRC or its associates for daily operation of the Group.

Please refer to the Company's announcement dated 10 November 2020 relating to the 2021 Property Lease Framework Agreement, and the Company's announcement 23 November 2023 relating to the Property Lease Framework Agreement.

Medical Equipment Integrated Service Framework Agreement

The Company and GT-PRC entered into a medical equipment integrated service framework agreement on 10 November 2020 (the "2021 Medical Equipment Integrated Service Framework Agreement"). For the year ended 31 December 2023, the actual transaction amount did not exceed the annual cap under the 2021 Medical Equipment Integrated Service Framework Agreement.

To renew the 2021 Medical Equipment Integrated Service Framework Agreement, the Company entered into a medical equipment integrated service framework agreement (the "Medical Equipment Integrated Service Framework Agreement") with GT-PRC on 23 November 2023, pursuant to which the Company and/or its subsidiaries will provide medical equipment maintenance and hosting services to GT-PRC and/or its associates. The Medical Equipment Integrated Service Framework Agreement would come into effect from 1 January 2024 until 31 December 2026 and may be renewed by mutual consent.

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

For the three years ending 31 December 2024, 2025 and 2026, the total amount of services for medical equipment maintenance and hosting provided by the Group to GT-PRC and/or its associates is not expected to exceed RMB200.0 million, RMB200.0 million and RMB200.0 million, respectively. The above proposed annual caps are based on the following factors: (i) the expected future demand of GT-PRC and its associates for equipment maintenance and hosting services based on the total quantity of equipment they currently hold or are expected to hold, as well as a sufficient buffer to cater for any surge in demand for such services. With the number of medical institutions within GT-PRC increasing year by year (there are currently at least 300 medical institutions), the Company anticipates to expand the number of customers within GT-PRC; (ii) the Company continues to expand its service scope pertaining to medical equipment maintenance and hosting services, which will broaden the service scope that the Group is able to provide to GT-PRC and its associates; and (iii) the estimated increase in the fees charged for these services due to inflation and the expected increase in costs.

Please refer to the Company's announcement dated 10 November 2020 relating to the 2021 Medical Equipment Integrated Service Framework Agreement, and the Company's announcement 23 November 2023 relating to the Medical Equipment Integrated Service Framework Agreement.

Construction Service Framework Agreement

The Company and GT-PRC entered into a construction service framework agreement on 10 November 2020 (the "2021 Construction Service Framework Agreement"). For the year ended 31 December 2023, the actual transaction amount did not exceed the annual cap under the 2021 Construction Service Framework Agreement.

To renew the 2021 Construction Service Framework Agreement, the Company entered into a construction service framework agreement (the "Construction Service Framework Agreement") with GT-PRC on 23 November 2023, pursuant to which, subject to the tender process adopted by the Company and/or its subsidiaries from time to time and the results thereof, GT-PRC and/or its associates will provide construction services to the Company and/or its subsidiaries. The Construction Service Framework Agreement would come into effect from 1 January 2024 until 31 December 2026 and may be renewed by mutual consent.

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

For the three years ending 31 December 2024, 2025 and 2026, the total contract amount under the potential construction service agreement(s) to be entered into between the Group and GT-PRC and/or its associates is not expected to exceed RMB260.0 million, RMB280.0 million and RMB220.0 million, respectively. The above proposed annual caps are based on the following factors: (i) the estimated total contract amount of potential new construction projects of the Group during the period commencing from 1 January 2024 and ending on 31 December 2026, with reference to the total investment amount of the Group's new construction projects for such period and the number of the Group's expected construction projects for such period; (ii) the estimated total contract amount of the Group's construction projects for which the Group expects GT-PRC or its associates would participate in competitive tender process from time to time taking into account of the numbers and size of the potential new construction projects of the Group; (iii) the estimated tender success rate for GT-PRC and/or its associates in the constructions projects planned to be held by the Group during 2024 to 2026. Considering that there should be no less than three bidders participating in the tender process of each project, which is required by the applicable rules and regulation in the PRC and the internal control measures adopted by the Group, it is estimated that the tender success rate of GT- PRC and/or its associates would be approximately 33.3%, assuming each bidder participating in the tender with equal probability of winning; and (iv) the prevailing market prices of construction materials and the labor costs in the year of 2023 with reference to the inflation rate.

Please refer to the Company's announcements dated 10 November 2020 and 1 March 2022 and the circular dated 26 November 2020 for the details of the 2021 Construction Service Framework Agreement and the annual caps thereunder, and the Company's announcement 23 November 2023 relating to the Construction Service Framework Agreement.

Medical Supplies Sales Framework Agreement

On 23 November 2023, the Company entered into a medical supplies sales framework agreement (the "Medical Supplies Sales Framework Agreement") with GT-PRC, pursuant to which the Company and/or its subsidiaries will provide medical related products and ancillary logistics and warehousing services to GT-PRC and/or its associates. The Medical Supplies Sales Framework Agreement would come into effect from 1 January 2024 until 31 December 2026 and may be renewed by mutual consent.

The Group has abundant medical supplies resources and it has maintained a long-term cooperative relationship with GT-PRC and its associates. The Company expects that GT-PRC and/or its associates would procure medical supplies from the Group from time to time. In ordinary course of business of GT-PRC and/or its associates, the Group could provide such products to them, leveraging the advantages of geographical location and transportation convenience to provide such products, so as to efficiently and conveniently meet the demand of GT-PRC and/or its associates (mainly medical institutions) for the procurement of medical consumables, pharmaceuticals, medical equipment and devices, and to deepen the synergies of resources among central state-owned enterprises.

For the three years ending 31 December 2024, 2025 and 2026, the total sales amount for digitalization-based products and/or services provided by the Group to GT-PRC and/or its associates is not expected to exceed RMB29.0 million, RMB35.0 million and RMB40.5 million, respectively. The above proposed annual caps are based on the following factors: (i) the existing sales amount of medical consumables and pharmaceuticals to GT-PRC and/or its associates, details of which has been disclosed in the Company's announcement dated 30 October 2023; (ii) the expected transaction amounts and demand for GT-PRC and/or its associates in the future; and (iii) the Company continues to expand its service scope pertaining to medical supplies, which will broaden the scope that the Group is able to provide to GT-PRC and its associates.

Please refer to the Company's announcement 23 November 2023 relating to the Medical Supplies Sales Framework Agreement.

Catering Procurement Framework Agreement

On 23 November 2023, the Company entered into a catering procurement framework agreement (the "Catering Procurement Framework Agreement") with GT-PRC, pursuant to which GT-PRC and/or its associates will provide catering services to the Company and/or its subsidiaries. The Catering Procurement Framework Agreement would come into effect from 1 January 2024 until 31 December 2026 and may be renewed by mutual consent.

As disclosed in the Company's announcement dated 19 July 2023, the Company expects to relocate certain of its office buildings to properties owned by GT-PRC, which provides ancillary catering services to occupants. Compared with operating a separate canteen by the Group to its employees after the relocation, procuring GT-PRC's catering services would be more convenient and cost-effective to the Group.

For the three years ending 31 December 2024, 2025 and 2026, the total amount for catering services procurement from GT-PRC and/or its associates by the Group is not expected to exceed RMB20.0 million, RMB23.0 million and RMB25.0 million, respectively. The above proposed annual caps are based on the following factors: (i) the number of the Group's employees who are expected to consume the catering services from GT-PRC and/or its associates, the applicable price per meal in the canteen operated by GT-PRC and/or its associates, and the expected increase in such number in the future; and (ii) the expected increase in costs such as the increase in labor costs and raw material costs.

Please refer to the Company's announcement 23 November 2023 relating to the Catering Procurement Framework Agreement.

Physical Examination Service Framework Agreement

On 23 November 2023, the Company entered into a physical examination service framework agreement (the "Physical Examination Service Framework Agreement") with GT-PRC, pursuant to which the Company and/or its subsidiaries will provide physical examination services to GT-PRC and/or its associates. The Physical Examination Service Framework Agreement would come into effect from 1 January 2024 until 31 December 2026 and may be renewed by mutual consent.

The Company has acquired and is operating certain affiliated hospitals from GT-PRC. These hospitals are expected to continue providing physical examinations to employees of the original promoters of these hospitals, who are associates of GT-PRC. This continuation is anticipated due to the familiarity of both the original promoters and their employees with the physical examination services provided by these hospitals. In addition, the Group's hospitals may provide physical examination services to group members of GT-PRC from time to time.

For the three years ending 31 December 2024, 2025 and 2026, the total transaction amount of services provided by the Group to o GT-PRC and/or its associates is not expected to exceed RMB29.0 million, RMB34.0 million and RMB39.0 million, respectively. The above proposed annual caps are based on the following factors: (i) the historical amount of physical examination services purchased by the original promotors within the hospitals acquired from GT-PRC; and (ii) the estimated demand for physical examination services of GT-PRC and/or its associates from these hospitals.

Please refer to the Company's announcement 23 November 2023 relating to the Physical Examination Service Framework Agreement.

Discipline Development and Operation Service Framework Agreement

On 23 November 2023, the Company entered into a discipline development and operation service framework agreement (the "Discipline Development and Operation Service Framework Agreement") with GT-PRC, pursuant to which the Company and/or its subsidiaries will provide discipline development and operation services to GT-PRC and/or its associates. The Discipline Development and Operation Service Framework Agreement would come into effect from 1 January 2024 until 31 December 2026 and may be renewed by mutual consent.

The Company has abundant experience in healthcare industry. In ordinary course of operation of medical institutions, GT-PRC and its associates would like to cooperate with the Company in discipline development and operation from time to time, to better unleash the value of specialty disciplines.

For the three years ending 31 December 2024, 2025 and 2026, the total transaction amount of services for discipline development and operation provided by the Group to GT-PRC and/or its associates is not expected to exceed RMB30.0 million, RMB30.0 million and RMB30.0 million, respectively. The above proposed annual caps are based on the following factors: (i) the scope of services and estimated incurred value provided by the Company and/or its subsidiaries; and (ii) the estimated demand for discipline development and operation services of GT-PRC and/or its associates.

Please refer to the Company's announcement 23 November 2023 relating to the Discipline Development and Operation Service Framework Agreement.

Factoring Service Framework Agreement

On 23 November 2023, the Company entered into a factoring service framework agreement (the "Factoring Service Framework Agreement") with GT-PRC, pursuant to which the Company and/or its subsidiaries will provide factoring services to GT-PRC and/or its associates. The Factoring Service Framework Agreement would come into effect from 1 January 2024 until 31 December 2026, subject to the independent Shareholders' approval at the extraordinary general meeting, and may be renewed by mutual consent.

Certain members of the Group are principally engaged in providing commercial factoring service. It is expected that the Group would provide commercial factoring service to GT-PRC and/or its associates in the near future as the revenue generated from the factoring service can provide an additional source of income for the Group. The demand for factoring service from GT-PRC and/or its associates represents an opportunity for the Group to expand its commercial factoring business to a wider customer base and achieve better economies of scale. The Group's factoring service is beneficial to GT-PRC and/or its associates as factoring services will provide them with immediate funding for working capital and business development and help optimize their assets structure, increase capital efficiency. Furthermore, the Group is able to provide factoring service to GT-PRC and/or its associates in a more convenient and efficient manner as compared to other third parties because of our long-term business relationship.

For each of the three years ending 31 December 2024, 2025 and 2026, the total factoring financing amount is not expected to exceed RMB1.0 billion, and the total amount of factoring service charge and handling charge is not expected to exceed RMB60.0 million. The above proposed annual caps are based on the following factors: (i) the demand for commercial factoring services of GT-PRC and/or its associates as estimated by the Group based on the information available to the Group, as well as a sufficient buffer to cater for any surge in demand for factoring loans from GT-PRC and/or its associates; (ii) the Group's capacity to offer commercial factoring services, which has shown consistent growth in recent years; and (iii) the market rate of interests and fees for factoring services.

Please refer to the Company's announcement 23 November 2023 and circular dated 11 December 2023 relating to the Factoring Service Framework Agreement.

Deposit Service Framework Agreement

On 23 November 2023, the Company entered into a deposit service framework agreement (the "Deposit Service Framework Agreement") with GT-PRC, pursuant to which GT-PRC and/or its associates will provide deposit services to the Company and/or its subsidiaries. The Deposit Service Framework Agreement would come into effect from 1 January 2024 until 31 December 2026, subject to the independent Shareholders' approval at the extraordinary general meeting, and may be renewed by mutual consent.

GT-PRC and its associates (especially GT-PRC Finance, a non-bank financial institution approved and regulated by the PBOC and the NAFR) are dedicated to strengthen centralized management of corporate group funds and increase utilization efficiency. GT-PRC Finance has been serving as a fund management platform to help centralize management and more efficiently allocate funds for the Group, and has acquired in-depth knowledge about the Company over the years and good understanding on the capital structure, business operation, capital requirements and modes of cash flows of the Company. Considering that GT-PRC is able to anticipate the Company's business needs and provide customized services for the Company, the Company expects to continue the existing business relationship with GT-PRC Finance and may seek similar deposit service from other qualified members of GT-PRC based on the Group's business needs in the future. Moreover, entering into the Deposit Service Framework Agreement will not prevent the Group from using financial services from independent commercial banks in China. The Group may still select at its own discretion independent commercial banks in China to act as its financial service provider as it deems fit and in the interest of the Group.

For each of the three years ending 31 December 2024, 2025 and 2026, the maximum daily deposit balance (including accrued interest) of the Group placed with GT-PRC is not expected to exceed RMB1.6 billion. The above proposed maximum daily deposit balance (including accrued interest) is based on: (i) the Group's maximum daily deposit balance with GT-PRC Finance for the two years ended 31 December 2021 and 2022, and the nine months ended 30 September 2023; (ii) the increasing trend of the historical revenue of the Group; (iii) the expected cash flows from the Group's financing activities, including debt financing; and (iv) the expected net increase in cash inflow to the Group in the following years, which is likely to lead to an increase in the Group's demand for deposit services from GT-PRC and/or its associates.

Please refer to the Company's announcement 23 November 2023 and circular dated 11 December 2023 relating to the Deposit Service Framework Agreement.

CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group entered into certain connected transactions which are subject to the requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for these connected transactions.

Formation of GT-GMMT

On 3 March 2023, GUHID, GT-PRC, Aerospace Medical & Healthcare Technology Group Co., Ltd. (航天醫療健康科技集團有限公司) ("Aerospace Medical & Healthcare Technology"), GEM Flower Healthcare Investment Holding Group Co., Ltd. (寶石花醫療健康投資控股集團有限公司) ("GEM Flower Healthcare") and Genertec Guozhong Healthcare Group Co., Ltd. (國中康健集團有限公司) ("Genertec Guozhong Healthcare") executed an agreement (the "Agreement") to establish the GT-GMMT. Pursuant to the Agreement, the registered capital of GT-GMMT will be RMB1 billion, among which, (i) GUHID would contribute RMB50 million, (ii) GT-PRC would contribute RMB450 million, (iii) Aerospace Medical & Healthcare Technology would contribute RMB300 million, (iv) GEM Flower Healthcare would contribute RMB150 million and (v) Genertec Guozhong Healthcare would contribute RMB50 million. Upon the establishment of GT-GMMT, its registered capital will be held by GUHID, GT-PRC, Aerospace Medical & Healthcare Technology, GEM Flower Healthcare and Genertec Guozhong Healthcare as to 5%, 45%, 30%, 15% and 5%, respectively, and GT-GMMT would not be accounted as a subsidiary of the Company.

As at the date of the Agreement, GT-PRC was the controlling shareholder holding approximately 38.89% of the entire issued capital of the Company and was therefore a connected person of the Company. Each of Aerospace Medical & Healthcare Technology, GEM Flower Healthcare and Genertec Guozhong Healthcare, as a subsidiary of GT-PRC, was a connected person of the Company pursuant to the Listing Rules. As such, the formation of GT-GMMT constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 3 March 2023 for further details.

Entering into the Lease Agreement I

On 30 May 2023, Zhongxing Hospital (as the lessee) entered into a lease agreement (the "Lease Agreement I") with Xinxing Construction (as the lessor) to lease certain properties with a term of 20 years. Pursuant to the Lease Agreement I, Zhongxing Hospital was provided with a rental-free period for two years. After the rental-free period, the preferential rental will be RMB442,600 for the third year. The annual rental payable for the fourth year will be RMB1.05/day/m^2 (tax inclusive) and RMB1,582,900 in aggregate for the year. Starting from the fourth year, the rental will be increased by 5% every three years based on the previous year's basis.

As at the date of the Lease Agreement I, GT-PRC was the controlling shareholder holding approximately 38.89% of the entire issued capital of the Company. Xinxing Construction was a subsidiary of GT-PRC, and therefore was a connected person of the Company pursuant to the Listing Rules. In accordance with HKFRS 16, the Company would recognize right-of-use assets in its consolidated statement of financial position in respect of the lease of properties under the Lease Agreement I. Accordingly, the transaction under the Lease Agreement I would be regarded as an acquisition of assets by the Company from Xinxing Construction and would constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 30 May 2023 for further details.

Entering into the Lease Agreement II

On 19 July 2023, CULC (as the lessee) entered into a lease agreement (the "Lease Agreement II") with Genertec Asset Management Co., Ltd. (通用技術集團資產管理有限公司) ("GT-PRC Asset Management") (as the lessor) to lease certain properties for a term of three years from 1 January 2024 to 31 December 2026 with a rental of RMB3.82/day/m^2 (tax inclusive).

As at the date of the Lease Agreement II, GT-PRC was the controlling shareholder holding approximately 38.89% of the entire issued capital of the Company. GT-PRC Asset Management was a wholly owned subsidiary of GT-PRC, and therefore was a connected person of the Company pursuant to the Listing Rules. In accordance with HKFRS 16, on 1 January 2024, the Company will recognize right-of-use assets in its consolidated statement of financial position in respect of the lease of properties under the Lease Agreement II. Accordingly, the transaction under the Lease Agreement II would be regarded as an acquisition of assets by CULC from GT-PRC Asset Management and would constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 19 July 2023 for further details.

Acquisition of Hospitals

On 25 December 2023, Hospital Investment Co., Ltd. and GT-PRC Medicine Holding Co., Ltd. (通用技術集團醫藥控股有限公司) ("GT-MH") entered into a transfer agreement (the "Transfer Agreement"), pursuant to which Hospital Investment Co., Ltd. agreed to acquire, and GT-MH agreed to sell the total assets and liabilities of Beijing Xincai Hospital (北京新材醫院), Luoyang Hechai Hospital (洛陽河柴醫院) and No.408 Hospital (四〇八醫院), and the 100% equity interests of Chongqing Dadukou Changzheng Hospital Co., Ltd. (重慶大渡口長征醫院有限公司), Luoyang Yikangyuan Elderly Care Co., Ltd. (洛陽市頤康苑老年護理有限公司) and Beijing Guotong Huankang Hospital Management Co., Ltd. (北京國通環康醫院管理有限公司) for a consideration of RMB116.56 million. Upon the completion of such acquisition, the financial results of the relevant hospitals would be consolidated into the financial statements of the Group.

As at the date of the announcement in relation to the above acquisition, GT-PRC was a controlling shareholder holding approximately 39.38% of the entire issued capital of the Company. GT-MH was a subsidiary of GT-PRC, and therefore a connected person of the Company pursuant to the Listing Rules. As such, the above acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 26 December 2023 for further details.

Formation of a Fund

On 31 December 2023, CULC entered into a partnership agreement (the "Partnership Agreement") with GT-PRC, GT-PRC's three associates and another three state-owned entities in respect of, among other things, the formation of a fund (the "Fund") for investment in life and health industry. Pursuant to the Partnership Agreement, the total capital commitment to the Fund is RMB2 billion, among which, the total amount of capital to be contributed by CULC is RMB50 million, being 2.50% of the total capital commitment to the Fund. The general manager of the Fund is Genertec Venture Capital Co., Ltd. (通用技術創業投資有限公司), a wholly-owned subsidiary of GT-PRC.

As at the date of the above transaction, GT-PRC was a controlling shareholder holding approximately 39.38% of the entire issued capital of the Company, and therefore GT-PRC and its associates are connected persons of the Company pursuant to the Listing Rules. As such, the above transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 2 January 2024 for further details.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2023, certain related parties entered into transactions with the Group which are disclosed in Note 38 "Related Party Transactions" to the consolidated financial statements of the Company. Save as disclosed in the sections headed "Continuing Connected Transactions" and "Connected Transactions", the Board confirmed that none of these related party transactions constitutes a connected transaction or a continuing connected transaction that is subject to disclosure requirements under chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

(b) on normal commercial terms or better; and

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

CONFIRMATION OF THE AUDITORS

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

(a) has not been approved by the Board;

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

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

(d) has exceeded the relevant annual caps for the financial year ended 31 December 2023.

AUDIT COMMITTEE

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

The Audit Committee had discussed with the management and reviewed this annual report and the financial results of the Group for the year ended 31 December 2023.

The consolidated financial statements of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2023 have been audited by Ernst & Young, the auditors of the Company.

DONATIONS

During the year ended 31 December 2023, the Group made charitable donations in the amount of RMB6.0 million.

AUDITORS

The Company re-appointed Ernst & Young as its auditors in 2023. The Company has not changed the appointment of its auditors in the past three years. The proposals of re-appointing Ernst & Young as the Company's auditors will be put forward at the Company's 2024 AGM for consideration and approval of the Shareholders.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2023, the Group is in compliance with the relevant laws and regulations that have a significant impact on the Group in all material respects.

THE PUBLICATION OF THE ANNUAL REPORT

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

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

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

On behalf of the Board

Peng Jiahong
Chairwoman of the Board

Hong Kong
18 April 2024

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Genertec Universal Medical Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 132 to 304, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTER

Allowance for impairment of loans and accounts receivables

As at 31 December 2023, the Group's loans and accounts receivables consisted of lease receivables, receivables arising from sale-and-leaseback arrangements, factoring receivables, accounts receivable and notes receivable, and accounted for 84% of the Group's total assets. The assessment of impairment of such loans and accounts receivables in our audit was considered to be a matter of most significance as it required the application of judgement and use of subjective assumptions by management.

HKFRS 9 requires the use of the "expected credit loss" ("ECL") model for the measurement of impairment of financial assets. In order to measure the impairment of loans and accounts receivables under HKFRS 9, management should use judgement, assumptions and estimation techniques in aspects such as judging significant increases in credit risk, estimating the parameters for measuring ECLs and determining the forward-looking adjustments.

The related disclosures are included in notes 2.4, 3, 20 and 43 to the consolidated financial statements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We gained an understanding of and tested the key controls over the approval and recording of loans and accounts receivables and impairment assessment.

We adopted a risk-based sampling approach in our tests of the allowance for impairment of loans and accounts receivables. We selected samples of performing loans considering the size, risk factors and industry trends for our tests on the reasonableness of loan grading and measurement of impairment.

We assessed management's forecast of future repayments and current financial conditions of the lessees in relation to non-performing assets, based on historical experience, value of collateral and observable external data. We evaluated the methodologies, inputs and assumptions used by the Group in the calculation of the expected credit losses.

We assessed the adequacy of the disclosures about the allowance for impairment of loans and accounts receivables included in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Benny Bing Yin Cheung.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
REVENUE	5	**13,650,203**	12,073,172
Cost of sales		**(9,078,344)**	(7,578,878)
Gross profit		**4,571,859**	4,494,294
Other income and gains	5	**620,371**	444,882
Selling and distribution costs		**(397,168)**	(441,603)
Administrative expenses		**(1,168,436)**	(913,997)
Impairment losses on financial assets, net		**(192,099)**	(307,139)
Loss on derecognition of financial assets measured at amortised cost		**(1,624)**	(1,154)
Other expenses		**(534,016)**	(549,826)
Finance costs		**(39,054)**	(35,645)
Share of profits and losses of:			
A joint venture		**13,449**	13,450
Associates		**(7,069)**	12
PROFIT BEFORE TAX	6	**2,866,213**	2,703,274
Income tax expense	9	**(667,141)**	(617,326)
PROFIT FOR THE YEAR		**2,199,072**	2,085,948
Attributable to:			
Owners of the parent		**2,020,918**	1,888,417
Non-controlling interests		**88,735**	126,128
Other equity instruments		**89,419**	71,403
		2,199,072	2,085,948
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic (expressed in RMB per share)		**1.07**	1.00
Diluted (expressed in RMB per share)		**0.99**	0.93

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
PROFIT FOR THE YEAR		**2,199,072**	2,085,948
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	18	**28,631**	417,262
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss		**445,861**	(973,972)
Income tax effect		**(86,388)**	105,134
		388,104	(451,576)
Exchange differences on translation of foreign operations		**742**	5,092
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**388,846**	(446,484)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Actuarial (losses)/gains on the post-retirement benefit obligations, net of tax	29	**(194)**	1,371
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		**(194)**	1,371
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**388,652**	(445,113)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,587,724**	1,640,835
Attributable to:			
Owners of the parent		**2,409,665**	1,442,634
Non-controlling interests		**88,640**	126,798
Other equity instruments		**89,419**	71,403
		2,587,724	1,640,835

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (restated)	1 January 2022 RMB'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	12	**4,391,417**	3,820,299	2,539,460
Right-of-use assets	13(a)	**1,161,459**	1,154,794	794,916
Goodwill	14	**286,538**	102,253	102,253
Investment in a joint venture	15	**496,472**	486,195	476,015
Investments in associates	16	**107,123**	28,769	4,284
Financial assets at fair value through profit or loss	17	**171,279**	245,987	366,470
Derivative financial instruments	18	**–**	100,544	6,915
Loans and accounts receivables	20	**41,543,421**	41,404,185	39,518,628
Prepayments, other receivables and other assets	21	**625,652**	654,962	507,510
Deferred tax assets	28	**702,163**	742,551	561,193
Equity investments designated at fair value through other comprehensive income		**2,778**	–	–
Other intangible assets		**161,266**	79,173	46,183
Total non-current assets		**49,649,568**	48,819,712	44,923,827
CURRENT ASSETS				
Inventories	19	**431,141**	388,052	272,278
Loans and accounts receivables	20	**25,718,469**	23,478,653	21,049,339
Prepayments, other receivables and other assets	21	**684,874**	678,656	369,064
Derivative financial instruments	18	**263,970**	131,610	–
Restricted deposits	22	**690,972**	778,303	954,862
Cash and cash equivalents	22	**2,848,973**	2,705,342	2,396,338
Financial assets at fair value through profit or loss	17	**45,362**	–	–
Debt investments at fair value through other comprehensive income	23	**11,415**	–	–
Total current assets		**30,695,176**	28,160,616	25,041,881

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000 (restated)	1 January 2022 RMB'000 (restated)
CURRENT LIABILITIES				
Trade and bills payables	24	**2,988,673**	2,294,424	1,140,380
Other payables and accruals	25	**4,400,914**	3,243,531	2,448,680
Interest-bearing bank and other borrowings	26	**22,537,605**	20,802,790	14,745,821
Derivative financial instruments	18	**26,608**	37,494	346,569
Tax payable		**119,641**	84,097	109,608
Total current liabilities		**30,073,441**	26,462,336	18,791,058
NET CURRENT ASSETS		**621,735**	1,698,280	6,250,823
TOTAL ASSETS LESS CURRENT LIABILITIES		**50,271,303**	50,517,992	51,174,650
NON-CURRENT LIABILITIES				
Derivative financial instruments	18	**–**	83,308	207,648
Other payables and accruals	25	**4,481,851**	4,324,302	3,655,649
Interest-bearing bank and other borrowings	26	**24,092,476**	25,125,611	28,544,061
Convertible bonds – host debts	27	**1,019,519**	982,982	882,689
Other non-current liabilities	35	**309,499**	280,968	257,200
Total non-current liabilities		**29,903,345**	30,797,171	33,547,247
Net assets		**20,367,958**	19,720,821	17,627,403

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000 (restated)	1 January 2022 RMB'000 (restated)
EQUITY				
Equity attributable to the owners of the parent				
Share capital	30	**5,297,254**	5,297,254	5,297,254
Equity component of convertible bonds	27	**75,486**	75,486	75,486
Reserves	31	**10,305,001**	8,607,642	7,730,056
		15,677,741	13,980,382	13,102,796
Other equity instruments	40	**1,672,433**	1,660,414	1,661,840
Non-controlling interests		**3,017,784**	4,080,025	2,862,767
Total equity		**20,367,958**	19,720,821	17,627,403

Peng Jiahong
Director

Wang Wenbing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Equity attributable to the owners of the parent														
	Share capital RMB'000 (Note 30)	Equity component of convertible bonds RMB'000 (Note 27)	Capital reserve* RMB'000 (Note 31)	Statutory reserve* RMB'000 (Note 31)	Share-based compensation reserve* RMB'000 (Note 31)	General and regulatory reserve* RMB'000 (Note 31)	Exchange fluctuation reserve* RMB'000 (Note 31)	Special reserve* RMB'000 (Note 31)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000 (Note 40)	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2022	5,297,254	75,486	27,045	1,253,384	12,038	807,709	32,708	–	(486,154)	(5,008)	6,955,653	13,970,115	1,660,414	4,072,484	19,703,013
Adjustment for business combination under common control	–	–	18,546	170	–	–	–	–	–	–	(8,449)	10,267	–	7,541	17,808
At 1 January 2023 (restated)	5,297,254	75,486	45,591	1,253,554	12,038	807,709	32,708	–	(486,154)	(5,008)	6,947,204	13,980,382	1,660,414	4,080,025	19,720,821
Profit for the year	–	–	–	–	–	–	–	–	–	–	2,020,918	2,020,918	89,419	88,735	2,199,072
Other comprehensive income/(loss) for the year:															
Cash flow hedges, net of tax	–	–	–	–	–	–	–	–	388,104	–	–	388,104	–	–	388,104
Exchange differences on translation of foreign operations	–	–	–	–	–	–	742	–	–	–	–	742	–	–	742
Actuarial losses on the post– retirement benefit obligations, net of tax	–	–	–	–	–	–	–	–	–	(99)	–	(99)	–	(95)	(194)
Total comprehensive income for the year	–	–	–	–	–	–	742	–	388,104	(99)	2,020,918	2,409,665	89,419	88,640	2,587,724

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Equity attributable to the owners of the parent														
	Share capital RMB'000 (Note 30)	Equity component of convertible bonds RMB'000 (Note 27)	Capital reserve* RMB'000 (Note 31)	Statutory reserve* RMB'000 (Note 31)	Share-based compensation reserve* RMB'000 (Note 31)	General and regulatory reserve* RMB'000 (Note 31)	Exchange fluctuation reserve* RMB'000 (Note 31)	Special reserve* RMB'000 (Note 31)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000 (Note 40)	Non-controlling interests RMB'000	Total equity RMB'000
Issue of renewable corporate bonds (Note 40)	-	-	-	-	-	-	-	-	-	-	-	-	1,645,647	-	1,645,647
Redemption of renewable corporate bonds (Note 40)	-	-	(5,564)	-	-	-	-	-	-	-	-	(5,564)	(1,644,436)	-	(1,650,000)
Acquisition of subsidiaries (Note 33(b))	-	-	-	-	-	-	-	-	-	-	-	-	-	77,002	77,002
Capital injections by non-controlling equity shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	10,779	10,779
Distribution paid to holders of renewable corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-	(78,611)	-	(78,611)
Dividends	-	-	-	-	-	-	-	-	-	-	(591,982)	(591,982)	-	(17)	(591,999)
Appropriation of special reserve – safety fund	-	-	-	-	-	-	-	63	-	-	-	63	-	61	124
Business combination under common control	-	-	(43,880)	(72,682)	-	-	-	-	-	-	-	(116,562)	-	-	(116,562)

	Equity attributable to the owners of the parent														
	Share capital RMB'000 (Note 30)	Equity component of convertible bonds RMB'000 (Note 27)	Capital reserve* RMB'000 (Note 31)	Statutory reserve* RMB'000 (Note 31)	Share-based compensation reserve* RMB'000 (Note 31)	General and regulatory reserve* RMB'000 (Note 31)	Exchange fluctuation reserve* RMB'000 (Note 31)	Special reserve* RMB'000 (Note 31)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000 (Note 40)	Non-controlling interests RMB'000	Total equity RMB'000
Acquisition of non-controlling interests	–	–	3,853	–	–	–	–	–	–	–	–	3,853	–	(1,238,706)	(1,234,853)
Change in the equity of the joint venture under the equity method of accounting	–	–	(3,173)	–	–	–	–	–	–	–	–	(3,173)	–	–	(3,173)
Recognition of equity-settled share-based payments	–	–	–	–	1,059	–	–	–	–	–	–	1,059	–	–	1,059
Appropriation of statutory reserve	–	–	–	119,329	–	–	–	–	–	–	(119,329)	–	–	–	–
Appropriation of general and regulatory reserve	–	–	–	–	–	44,019	–	–	–	–	(44,019)	–	–	–	–
At 31 December 2023	5,297,254	75,486	(3,173)	1,300,201	13,097	851,728	33,450	63	(98,050)	(5,107)	8,212,792	15,677,741	1,672,433	3,017,784	20,367,958

* These reserve accounts comprise the consolidated reserves of RMB10,305,001,000 (2022: RMB8,607,642,000 (restated)) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Equity attributable to the owners of the parent													
	Share capital RMB'000 (Note 30)	Equity component of convertible bonds RMB'000 (Note 27)	Capital reserve* RMB'000 (Note 31)	Statutory reserve* RMB'000 (Note 31)	Share-based compensation reserve* RMB'000 (Note 31)	General and regulatory reserves* RMB'000 (Note 31)	Exchange fluctuation reserve* RMB'000 (Note 31)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000 (Note 40)	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2021	5,297,254	75,486	27,078	1,059,986	11,596	757,880	27,616	(34,578)	(5,709)	5,887,380	13,103,989	1,661,840	2,857,426	17,623,255
Adjustment for business combination under common control	–	–	5,491	1	–	–	–	–	–	(6,685)	(1,193)	–	5,341	4,148
At 1 January 2022 (restated)	5,297,254	75,486	32,569	1,059,987	11,596	757,880	27,616	(34,578)	(5,709)	5,880,695	13,102,796	1,661,840	2,862,767	17,627,403
Profit for the year (restated)	–	–	–	–	–	–	–	–	–	1,888,417	1,888,417	71,403	126,128	2,085,948
Other comprehensive income/(loss) for the year:														
Cash flow hedges, net of tax	–	–	–	–	–	–	–	(451,576)	–	–	(451,576)	–	–	(451,576)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	5,092	–	–	–	5,092	–	–	5,092
Actuarial gains on the post– retirement benefit obligations, net of tax	–	–	–	–	–	–	–	–	701	–	701	–	670	1,371
Total comprehensive income for the year (restated)	–	–	–	–	–	–	5,092	(451,576)	701	1,888,417	1,442,634	71,403	126,798	1,640,835
Issue of renewable corporate bonds	–	–	–	–	–	–	–	–	–	–	–	480,000	–	480,000
Redemption of renewable corporate bonds	–	–	–	–	–	–	–	–	–	–	–	(480,000)	–	(480,000)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	1,090,280	1,090,280
Acquisition of non-controlling interests	–	–	(33)	–	–	–	–	–	–	–	(33)	–	(55)	(88)
Business combination under common control	–	–	13,055	–	–	–	–	–	–	–	13,055	–	2,200	15,255
Distribution paid to holders of renewable corporate bonds	–	–	–	–	–	–	–	–	–	–	–	(72,829)	–	(72,829)
Dividends	–	–	–	–	–	–	–	–	–	(578,512)	(578,512)	–	(1,965)	(580,477)
Recognition of equity-settled share-based payments	–	–	–	–	442	–	–	–	–	–	442	–	–	442
Appropriation of statutory reserve	–	–	–	193,567	–	–	–	–	–	(193,567)	–	–	–	–
Appropriation of general and regulatory reserve	–	–	–	–	–	49,829	–	–	–	(49,829)	–	–	–	–
At 31 December 2022 (restated)	5,297,254	75,486	45,591	1,253,554	12,038	807,709	32,708	(486,154)	(5,008)	6,947,204	13,980,382	1,660,414	4,080,025	19,720,821

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,866,213**	2,703,274
Adjustments for:			
Finance costs and interest expense		**2,353,562**	2,034,271
Interest income	5	**(49,741)**	(44,567)
Share of profits and losses of a joint venture and associates		**(6,380)**	(13,462)
Derivative financial instruments – transactions not qualifying as hedges:			
– Unrealised fair value gains, net	5	**(97,379)**	(6,389)
– Realised fair value gains, net	5	**(165,902)**	(122,176)
Depreciation of property, plant and equipment		**434,632**	360,937
Depreciation of right-of-use assets		**46,580**	56,676
Loss on disposal of property, plant and equipment, net	6	**333**	5,737
Gain on disposal of intangible assets, net		**(10,584)**	–
Loss on disposal of right-of-use assets, net		**358**	–
Amortisation of intangible assets		**27,453**	24,436
Impairment of loans and accounts receivables and other receivables	6	**192,099**	307,139
Equity-settled share-based compensation expense	6	**1,059**	442
Foreign exchange losses, net	6	**507,345**	533,962
Interest income from continuing involvement in transferred assets	5	**(34,388)**	(29,595)
Gain on unlisted debt investments, at fair value	5	**(25,561)**	(12,810)
Fair value (gains)/losses from financial assets at fair value through profit or loss		**(475)**	483
Gain on bargain purchase	5	**–**	(950)
Special reserve – safety fund appropriation		**124**	–
Impairment of property, plant and equipment	6	**35**	–
Impairment of inventories	6	**1,697**	–
		6,041,080	5,797,408
Decrease/(increase) in inventories		**47,571**	(56,223)
Increase in loans and accounts receivables		**(2,455,782)**	(4,519,646)
Increase in debt investments at fair value through other comprehensive income		**(11,077)**	–
Decrease/(increase) in prepayments, other receivables and other assets		**34,654**	(211,862)
Increase in amounts due from related parties		**(3,992)**	(11,955)
Increase in trade and bills payables		**557,172**	639,626
Increase in other payables and accruals		**1,337,502**	1,006,111
Increase in amounts due to related parties		**91,233**	25,409

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Net cash flows from operating activities before interest and tax		**5,638,361**	2,668,868
Interest received		**82,929**	68,984
Income tax paid		**(727,325)**	(705,784)
Net cash flows from operating activities		**4,993,965**	2,032,068
CASH FLOWS FROM INVESTING ACTIVITIES			
Realised gains/(losses) on derivative financial instruments not qualifying as hedges		**165,902**	(112,828)
Realised gains on financial assets at fair value through profit or loss		**15,481**	12,810
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets		**(896,833)**	(617,870)
Proceeds from disposal of items of property, plant and equipment		**66**	271
Acquisition of subsidiaries		**(292,988)**	436,727
Business combination under common control		**(116,562)**	–
Dividends received from an associate		**5**	98
Dividends received from a joint venture		**–**	3,270
Decrease in time deposits		**150,000**	23,000
Other receipt of investments		**5,110**	37,695
Purchase of financial assets at fair value through profit or loss		**(264,000)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**254,822**	120,000
Purchase of shareholding for associates		**(80,000)**	(24,571)

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Net cash flows used in investing activities		**(1,058,997)**	(121,398)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of renewable corporate bonds		**1,645,647**	480,000
Capital injections from non-controlling shareholders		**10,779**	2,200
Redemption of renewable corporate bonds		**(1,650,000)**	(480,000)
Increase in amounts due to related parties		**2,745,975**	2,440,069
Decrease in amounts due to related parties		**(2,597,516)**	(853,530)
Acquisition of non-controlling interests		**(1,180,042)**	(88)
Cash received from borrowings		**42,981,740**	30,555,791
Repayments of borrowings		**(42,067,861)**	(30,201,823)
Principal portion of lease payments		**(716,796)**	(1,127,872)
Interest paid		**(2,315,037)**	(1,980,460)
(Increase)/decrease in restricted deposits		**(53,987)**	161,599
Dividends paid		**(591,999)**	(580,461)
Other cash receipts relating to financing activities		**599,326**	530,820
Other cash payments relating to financing activities		**(603,865)**	(522,663)
Net cash flows used in financing activities		**(3,793,636)**	(1,576,418)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**141,332**	334,252
Cash and cash equivalents at beginning of year		**2,705,342**	2,396,338
Effect of exchange rate changes on cash and cash equivalents		**2,299**	(25,248)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,848,973**	2,705,342
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,539,945**	3,333,645
Less: Restricted deposits		**(690,972)**	(628,303)
Cash and cash equivalents as stated in the statement of financial position	22	**2,848,973**	2,705,342
Cash and cash equivalents as stated in the statement of cash flows		**2,848,973**	2,705,342

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
中國環球租賃有限公司* (China Universal Leasing Co., Ltd.)	PRC/Chinese Mainland	USD 968,887,616	100.00	–	Financial leasing
通用環球國際融資租賃（天津）有限公司** (Genertec Universal International Financial Leasing (Tianjin) Co., Ltd.)	PRC/Chinese Mainland	USD 150,000,000	25.00	75.00	Financial leasing
通用環球醫療技術服務（天津）有限公司*** (Genertec Universal Medical Technology Services (Tianjin) Co., Ltd.)	PRC/Chinese Mainland	RMB 190,000,000	–	100.00	Medical technology services
通用環球醫療發展（英屬維爾京群島）有限公司 (Genertec Universal Medical Development (BVI) Co., Ltd.)	British virgin islands	USD 1	100.00	–	Provision of financing

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
通用環球醫院投資管理（天津）有限公司*** (Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd.)	PRC/Chinese Mainland	RMB 5,000,000,000	–	100.00	Hospital management services
環球悅谷醫療科技（天津）有限公司 *** (Universal Yuegu Medical Technology (Tianjin) Co., Ltd.)	PRC/Chinese Mainland	RMB 150,000,000	–	100.00	Medical technology services
通用環球邁勝醫療科技 (天津) 有限公司*** (Genertec Universal Mevion Medical Science and Technology (Tianjin) Co., Ltd.)	PRC/Chinese Mainland	RMB 50,000,000	–	51.00	Medical technology services
凱思軒達醫療科技無錫有限公司*** (Casstar Medical Technology Wuxi Co., Ltd.)	PRC/Chinese Mainland	RMB 17,543,800	–	85.00	Medical technology services
樸元醫療科技（北京）有限公司*** (Puyuan Medical Technology Co., Ltd.)	PRC/Chinese Mainland	RMB 30,000,000	–	100.00	Medical technology services
西安融慧醫院建設管理有限公司*** (Xi'an Ronghui Hospital Construction Management Co., Ltd.)	PRC/Chinese Mainland	RMB 400,000,000	–	100.00	Hospital construction and management services
陝西華虹醫藥有限公司*** (Shaanxi Huahong Pharmaceutical Co., Ltd.)	PRC/Chinese Mainland	RMB 100,000,000	–	98.00	Sale of medical related goods
安徽環康醫院管理有限公司*** (Anhui Huankang Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 50,000,000	–	100.00	Hospital management services
合肥安化創傷康復醫院**** (Hefei Anhua Trauma Rehabilitation Hospital)	PRC/Chinese Mainland	RMB 24,850,000	–	100.00	Medical services
煙台海港醫院有限公司*** (Yantai Harbour Hospital Co., Ltd.)	PRC/Chinese Mainland	RMB 600,000,000	–	65.00	Medical services
通用環球健康產業發展（天津）有限公司* (Genertec Universal Healthcare Industry Development (Tianjin) Co., Ltd.)	PRC/Chinese Mainland	RMB 5,000,000,000	100.00	–	Hospital management services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
通用環球（天津）醫院集團有限公司*** (Genertec Universal (Tianjin) Hospital Group Co., Ltd.)	PRC/Chinese Mainland	RMB 2,600,000,000	–	100.00	Hospital management services
通用環球醫療（西安）有限公司*** (Genertec Universal Medical (Xi'an) Co., Ltd.)	PRC/Chinese Mainland	RMB 1,000,000,000	–	63.00	Hospital management services
通用環球西航醫院（西安）有限公司***(i) (Genertec Universal Xi'an Aero-Engine Hospital (Xi'an) Co., Ltd.)	PRC/Chinese Mainland	RMB 400,000,000	–	100.00	Medical services
通用鞍鋼醫院管理有限公司*** (Genertec Ansteel Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 980,830,000	–	51.15	Hospital management services
通用環球彩虹（咸陽）醫院管理有限公司*** (Genertec Universal Caihong (Xianyang) Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 380,000,000	–	52.63	Hospital management services
通用環球中鐵（西安）醫院管理有限公司*** (Genertec Universal CREC (Xi'an) Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 200,000,000	–	51.00	Hospital management services
通用中鐵（北京）醫院管理有限公司*** (Genertec CREC (Beijing) Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 200,000,000	–	51.00	Hospital management services
通用環球醫療技術諮詢（煙台）有限公司*** (Genertec Universal Medical Technology Advisory (Yantai) Co., Ltd.)	PRC/Chinese Mainland	RMB 1,000,000	–	65.00	Medical consulting
通用環球醫療科技（海南）有限公司*** (Genertec Universal Medical Science and Technology (Hainan) Co., Ltd.)	PRC/Chinese Mainland	RMB 10,000,000	–	100.00	Medical consulting
通用環球華陽山西健康產業有限公司*** (Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.)	PRC/Chinese Mainland	RMB 1,380,000,000	–	51.00	Hospital management services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
成都通用錦電醫院管理有限公司*** (Chengdu Genertec Jindian Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 11,000,000	–	81.51	Medical services
通用環球兵工（西安）醫院管理有限公司*** (Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 38,775,700	–	51.00	Hospital management services
通用環球中煤（邯鄲）醫院管理有限公司*** (Genertec Universal Chinacoal (Handan) Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 50,897,300	–	70.00	Hospital management services
通用環球（西安）健康醫院管理有限公司*** (Genertec Universal (Xi'an) Health Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 274,920,300	–	72.75	Hospital management services
涼山州環康醫院管理有限公司*** (Liangshanzhou Huankang Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 345,917,100	–	51.00	Hospital management services
北京環康醫院管理有限公司*** (Beijing Huankang Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 3,903,300	–	60.00	Hospital management services
通用五礦醫院管理（北京）有限公司*** (Genertec Minmetals Hospital Management (Beijing) Co., Ltd.)	PRC/Chinese Mainland	RMB 1,393,484,200	–	100.00	Hospital management services
北京環康中興醫院管理有限公司*** (Beijing Huankang Zhongxing Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 10,000,000	–	66.00	Hospital management services
北京国通 康医院管理有限公司*** (Beijing Guotong Huankang Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB 1,000,000	–	100.00	Hospital management services
西電集團醫院**** (Xi'an XD Group Hospital)	PRC/Chinese Mainland	RMB 99,215,200	–	63.00	Medical services
鞍鋼集團公司總醫院**** (Ansteel Group Hospital)	PRC/Chinese Mainland	RMB 507,177,100	–	51.15	Medical services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
通用環球中鐵西安醫院**** (Genertec Universal CREC Xi'an Hospital)	PRC/Chinese Mainland	RMB 86,420,000	–	51.00	Medical services
咸陽彩虹醫院**** (Xianyang Caihong Hospital)	PRC/Chinese Mainland	RMB 181,942,100	–	52.63	Medical services
陽泉煤業（集團）有限責任公司總醫院**** (Yangquan Coal Industry (Group) General Hospital)	PRC/Chinese Mainland	RMB 176,850,000	–	51.00	Medical services
通用環球中鐵邳州醫院**** (Genertec Universal CREC Pizhou Hospital)	PRC/Chinese Mainland	RMB 73,290,000	–	51.00	Medical services
通用環球兵工西安醫院**** (Genertec Universal NORINCO Xi'an Hospital)	PRC/Chinese Mainland	RMB 38,775,700	–	51.00	Medical services
通用環球西安北環醫院**** (Genertec Universal Xi'an Beihuan Hospital)	PRC/Chinese Mainland	RMB 10,000,000	–	72.75	Medical services
攀鋼西昌醫院**** (Pangang Group Xichang Hospital)	PRC/Chinese Mainland	RMB 133,180,000	–	51.00	Medical services
通用環球北京東裡中西醫結合醫院**** (Genertec Universal Beijing Dongli Hospital of Traditional Chinese and Western Medicine)	PRC/Chinese Mainland	RMB 3,500,000	–	60.00	Medical services
上海中冶醫院**** (Shanghai MCC Hospital)	PRC/Chinese Mainland	RMB 45,880,000	–	100.00	Medical services
馬鞍山十七冶醫院**** (Ma'anshan MCC17 Hospital)	PRC/Chinese Mainland	RMB 50,000,000	–	100.00	Medical services
海陽森之康醫院有限公司*** (Haiyang Senzhikang Hospital Co., Ltd.)	PRC/Chinese Mainland	RMB 10,000,000	–	100.00	Medical services
畢士大（成都）腎病醫院有限公司*** (Beth Hesda (Chengdu) Nephrology Hospital Co,. Ltd.)	PRC/Chinese Mainland	RMB 60,000,000	–	60.00	Medical services
中國新興建設開發有限責任公司北京中興醫院**** (Beijing Zhongxing Hospital)	PRC/Chinese Mainland	RMB 8,520,000	–	66.00	Medical services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
北京市海澱區西三旗街道新材社區衛生服務站**** (Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station)	PRC/Chinese Mainland	RMB 50,000	–	100.00	Medical services
四〇八醫院**** (No.408 Hospital)	PRC/Chinese Mainland	RMB 21,874,000	–	100.00	Medical services
重慶大渡口長征醫院有限公司*** (Chongqing Dadukou Changzheng Hospital Co., Ltd.)	PRC/Chinese Mainland	RMB 8,000,000	–	100.00	Medical services
洛陽河柴醫院**** (Luoyang Hechai Hospital)	PRC/Chinese Mainland	RMB 2,312,800	–	100.00	Medical services

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

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

*** Registered as limited liability companies under PRC law

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

(i) On 28 March 2023, the registered capital of Genertec Universal Xi'an Aero-Engine Hospital (Xi'an) Co., Ltd. was decreased from RMB509,664,900 to RMB400,000,000.

(ii) On 14 September 2023, the Group cancelled the registration of Xi'an Wanheng Medical Technology Development Co., Ltd.

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structure entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

Business combination under common control

On 12 May 2023, the Group and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group ("Hospital Investment Co., Ltd."), entered into a cooperation agreement with China Xinxing Construction & Development Co., Ltd. ("Xinxing Construction") in connection with the formation of Beijing Huankang Zhongxing Hospital Management Co., Ltd., whose registered capital would be contributed by Hospital Investment Co., Ltd. with cash of RMB8,125,000 and Xinxing Construction with the assessed assets of Beijing Zhongxing Hospital, respectively ("Beijing Zhongxing Hospital Acquisition"). Hospital Investment Co., Ltd. acquired a 66% equity interest in Beijing Huankang Zhongxing Hospital Management Co., Ltd. The acquisition was completed on 1 July 2023. Upon completion of the transaction, Beijing Huankang Zhongxing Hospital Management Co., Ltd. is the promoter of Beijing Zhongxing Hospital. Beijing Huankang Zhongxing Hospital Management Co., Ltd. has become a subsidiary of the Group.

As Beijing Zhongxing Hospital and the Company are controlled by China General Technology (Group) Holding Company Limited ("Genertec Group"), the Beijing Zhongxing Hospital Acquisition has been accounted for based on the principles of merger accounting.

On 25 December 2023, Hospital Investment Co., Ltd. entered into an equity transfer agreement with GT-PRC Medicine Holding Co., Ltd. (a wholly-owned subsidiary of Genertec Group) to acquire 100% equity interests of the target hospitals (i.e., Chongqing Dadukou Changzheng Hospital Co., Ltd., Luoyang Hechai Hospital, Luoyang Yikangyuan Elderly Care Co., Ltd., No. 408 Hospital, Beijing Guotong Huankang Hospital Management Co., Ltd. and Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station) at a consideration of RMB116,561,000 ("Acquisition of the target hospitals"). The acquisition was completed on 31 December 2023. Upon completion of the transaction, Hospital Investment Co., Ltd. is the promoter of the target hospitals. Beijing Guotong Huankang Hospital Management Co., Ltd. has become a subsidiary of the Group.

As the target hospitals and the Company are controlled by Genertec Group, the Acquisition of the target hospitals has been accounted for based on the principles of merger accounting.

2.1 BASIS OF PREPARATION (CONTINUED)

Business combination under common control (continued)

The consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the years presented. The opening balance at 1 January 2022 has been restated, with consequential adjustments to comparatives for the year ended 31 December 2022. The details of the restated balances have been disclosed in Note 33(a) to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below: (continued)

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. The amendments did not have any impact to the Group.

(d) The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations

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

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

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

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

Business combinations and goodwill

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 13 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

Fair value measurement

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

A party is considered to be related to the Group if: (continued)

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Category	Annual depreciation rate
Transportation equipment	6.49% to 20.00%
Office equipment	4.85% to 19.40%
Electronic equipment	8.08% to 33.33%
Medical equipment	7.01% to 32.33%
Leasehold improvements	20.00% to 33.33%
Buildings	1.90% to 11.88%

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Patents and licences

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

Research and development costs

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	38 years to indefinite useful life
Property and Equipment	2 to 20 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of properties and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Sale-and-leaseback transactions

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments and interest-bearing bank and other borrowings.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Convertible bonds

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

Derecognition of financial liabilities

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Renewable corporate bonds

Renewable corporate bonds issued by the Group contain no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. The Group classifies such renewable corporate bonds issued as equity instruments. Fees, commissions and other transaction costs of such renewable corporate bonds issuance are deducted from equity. The distributions on renewable corporate bonds are recognised as profit distributions at the time of declaration.

Inventories

Inventories are goods valued at the lower of cost and net realisable value at the end of the reporting period. The cost of inventories issued is determined on the weighted – average basis and specific identification basis. The difference between the cost and the lower net realisable value is stated as a provision. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Finance lease, receivables income arising from sale-and-leaseback arrangements and factoring income

Finance lease, receivables income arising from sale-and-leaseback arrangements and factoring income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of finished goods

Revenue from the sale of finished goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the finished goods.

Some contracts for the sale of finished goods provide customers with rights of return and volume rebates, giving rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of finished goods (continued)

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Provision of management services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis or at a point in time.

Operating lease income

Operating lease income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in note 39 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in which services have been rendered by the employees of the Group.

Other employee benefits

Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement scheme (the "MPF" Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The Group's subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Other employee benefits (continued)

Pension obligations (continued)

In addition, employees in Chinese Mainland also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan") since 2015. The Group and its employees are required to contribute a certain percentage of the employees' previous year salaries to the Annuity Plan. The contributions are charged to the statement of profit or loss immediately when they occur. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions even if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Defined benefit plan

The Group provides eligible retirees with certain post-retirement benefits including retirement subsidies, transportation allowance as well as other welfare. The defined post-retirement benefits are unfunded. The cost of providing benefits under the post-retirement benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from the post-retirement benefit plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "Wages, salaries and benefits" and "Finance costs" in profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain entities in the Group are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the entities of the Group whose functional currencies are other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of entities with functional currencies other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between finance leases and operating leases

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in asset and liability recognition by the lessee, with the asset remaining recognised by the lessor).

The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this involves critical judgements by management.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of financial instruments

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at amortised cost or at FVOCI and loans and accounts receivables requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group’s ECL calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of financial instruments (continued)

(i) The Group's internal credit grading model, which assigns the probability of defaults to the individual grades

(ii) The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment

(iii) Development of ECL models, including the various formulas and the choice of inputs

(iv) Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on the probability of defaults, the exposure of defaults and the loss given defaults

The Group will regularly review the expected credit loss model in the context of actual loss experience and adjust it when necessary.

Fair value of financial instruments

For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Valuation techniques make use of observable market information to the greatest extent, however, when the observable market information cannot be obtained, management will have to make assumptions on the credit risk, market volatility and correlations of the Group and the counterparties, and any changes in these underlying assumptions will affect the fair value of financial instruments.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB286,538,000 (2022: RMB102,253,000). Further details are given in Note 14.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two operating segments, namely the finance business and the healthcare business based on the internal organisational structure, management's requirement and the internal reporting system:

- The finance business comprises primarily (a) direct finance leasing; (b) sale-and-leaseback; (c) factoring; (d) operating leases; and (e) advisory services; and

- The healthcare business comprises primarily (a) medical and healthcare services; (b) hospital operation; (c) import and export trade and domestic trade of medical-related goods; (d) equipment life cycle management; and (e) medical digitalization services.

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the year ended 31 December 2023

	Finance business RMB'000	Healthcare business RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	5,823,120	7,827,083	–	13,650,203
Intersegment sales	58,912	5,759	(64,671)	–
Cost of sales	(2,576,827)	(6,763,527)	262,010	(9,078,344)
Other income and gains	585,607	298,860	(264,096)	620,371
Selling and distribution costs and administrative expenses	(835,325)	(736,038)	5,759	(1,565,604)
Impairment losses on financial assets, net	(184,404)	(7,695)	–	(192,099)
Loss on derecognition of financial assets measured at amortised cost	(1,624)	–	–	(1,624)
Share of losses of associates	(4,844)	(2,225)	–	(7,069)
Share of profit of a joint venture	–	13,449	–	13,449
Other expenses	(514,296)	(19,720)	–	(534,016)
Finance costs	(330)	(99,722)	60,998	(39,054)
Profit before tax	2,349,989	516,224	–	2,866,213
Income tax expense	(605,145)	(61,996)	–	(667,141)
Profit after tax	1,744,844	454,228	–	2,199,072
Segment assets	73,018,465	14,807,996	(7,481,717)	80,344,744
Segment liabilities	61,565,029	5,893,474	(7,481,717)	59,976,786
Other segment information:				
Impairment losses recognised in the statement of profit or loss	184,404	9,427	–	193,831
Depreciation and amortisation	55,153	453,512	–	508,665
Investments in associates	55,158	51,965	–	107,123
Investment in a joint venture	–	496,472	–	496,472
Capital expenditure	148,993	747,840	–	896,833

4. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the year ended 31 December 2022

	Finance business RMB'000 (restated)	Healthcare business RMB'000 (restated)	Adjustments and eliminations RMB'000 (restated)	Total RMB'000 (restated)
Segment revenue:				
Sales to external customers	5,706,656	6,366,516	–	12,073,172
Intersegment sales	14,547	5,736	(20,283)	–
Cost of sales	(2,212,900)	(5,581,491)	215,513	(7,578,878)
Other income and gains	398,369	260,828	(214,315)	444,882
Selling and distribution costs and administrative expenses	(782,859)	(578,478)	5,737	(1,355,600)
Impairment losses on financial assets, net	(302,555)	(4,584)	–	(307,139)
Loss on derecognition of financial assets measured at amortised cost	(1,154)	–	–	(1,154)
Share of profits of associates	3	9	–	12
Share of profit of a joint venture	–	13,450	–	13,450
Other expenses	(540,733)	(9,093)	–	(549,826)
Finance costs	(1,657)	(47,336)	13,348	(35,645)
Profit before tax	2,277,717	425,557	–	2,703,274
Income tax expense	(568,468)	(48,858)	–	(617,326)
Profit after tax	1,709,249	376,699	–	2,085,948
Segment assets	68,811,920	13,888,399	(5,719,991)	76,980,328
Segment liabilities	58,624,902	4,354,596	(5,719,991)	57,259,507
Other segment information:				
Impairment losses recognised in the statement of profit or loss	302,555	4,584	–	307,139
Depreciation and amortisation	69,881	372,168	–	442,049
Investments in associates	24,575	4,194	–	28,769
Investment in a joint venture	–	486,195	–	486,195
Capital expenditure	84,859	533,011	–	617,870

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) ***Revenue from external customers***

	2023 **RMB'000**	2022 RMB'000 (restated)
Chinese Mainland	**13,650,203**	12,073,172

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

(b) All non-current assets of the operations, excluding financial instruments, right-of-use assets and property, plant and equipment, are located in the Chinese Mainland.

Information about a major customer

There was no revenue derived from a single customer which amounted to 10% or more of the total revenue of the Group during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 **RMB'000**	2022 RMB'000 (restated)
Revenue		
Finance lease income	**416,378**	624,259
Receivables income arising from sale-and-leaseback arrangements	**4,259,517**	3,911,957
Factoring income	**132,096**	101,445
Revenue from contracts with customers	**8,826,759**	7,418,200
Revenue from other sources – Others	**60,526**	54,393
Taxes and surcharges	**(45,073)**	(37,082)
Total revenue	**13,650,203**	12,073,172

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Finance business RMB'000	Healthcare business RMB'000	Total RMB'000
Types of goods or services			
Service fee income	1,037,750	67,406	1,105,156
Sale of finished goods	–	478,600	478,600
Healthcare service income	–	7,243,003	7,243,003
Total revenue from contracts with customers	1,037,750	7,789,009	8,826,759
Geographical market			
Chinese Mainland	1,037,750	7,789,009	8,826,759
Timing of revenue recognition			
Goods transferred at a point in time	–	478,600	478,600
Services transferred at a point in time	1,037,750	7,310,409	8,348,159
Total revenue from contracts with customers	1,037,750	7,789,009	8,826,759

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2022 (restated)

Segments	Finance business RMB'000	Healthcare business RMB'000	Total RMB'000
Types of goods or services			
Service fee income	1,096,514	40,641	1,137,155
Sale of finished goods	–	290,218	290,218
Healthcare service income	–	5,990,827	5,990,827
Total revenue from contracts with customers	1,096,514	6,321,686	7,418,200
Geographical market			
Chinese Mainland	1,096,514	6,321,686	7,418,200
Timing of revenue recognition			
Goods transferred at a point in time	–	290,218	290,218
Services transferred at a point in time	1,096,514	6,031,468	7,127,982
Total revenue from contracts with customers	1,096,514	6,321,686	7,418,200

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

For the year ended 31 December 2023

Segments	Finance business RMB'000	Healthcare business RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	**1,037,750**	**7,789,009**	**8,826,759**
Intersegment sales	**19**	**5,759**	**5,778**
Subtotal	**1,037,769**	**7,794,768**	**8,832,537**
Intersegment adjustments and eliminations	**(19)**	**(5,759)**	**(5,778)**
Total revenue from contracts with customers	**1,037,750**	**7,789,009**	**8,826,759**

For the year ended 31 December 2022 (restated)

Segments	Finance business RMB'000	Healthcare business RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	1,096,514	6,321,686	7,418,200
Intersegment sales	1,198	–	1,198
Subtotal	1,097,712	6,321,686	7,419,398
Intersegment adjustments and eliminations	(1,198)	–	(1,198)
Total revenue from contracts with customers	1,096,514	6,321,686	7,418,200

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023 **RMB'000**	2022 RMB'000 (restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Service fee income	**67,025**	3,108
Sale of finished goods	**31,040**	9,248
Healthcare services	**165,809**	151,054
Total	**263,874**	163,410

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of finished goods
The performance obligation is satisfied upon delivery of the goods and payment is generally due within 90 to 180 days from delivery. Some contracts provide customers with a right of return which gives rise to variable consideration subject to certain restrictions.

Service fee income
The performance obligation is satisfied at the point in time as services are rendered and short-term advances are normally required before rendering the services.

Healthcare service income
The performance obligation is satisfied at the point in time as services are rendered.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

	2023 RMB'000	2022 RMB'000 (restated)
Other income and gains		
Interest income	**49,741**	44,567
Government grants (note 5a)	**225,577**	208,675
Derivative financial instruments – transactions not qualifying as hedges:		
– Unrealised fair value gains, net	**97,379**	6,389
– Realised fair value gains, net	**165,902**	122,176
Gain on unlisted debt investments, at fair value	**25,561**	12,810
Interest income from continuing involvement in transferred assets	**34,388**	29,595
Fair value gains from financial assets at fair value through profit or loss	**475**	–
Gain on bargain purchase	**–**	950
Others	**21,348**	19,720
Total other income and gains	**620,371**	444,882

5a. GOVERNMENT GRANTS

	2023 RMB'000	2022 RMB'000 (restated)
Government special subsidies	**225,577**	208,675

6. PROFIT BEFORE TAX

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

	2023 RMB'000	2022 RMB'000 (restated)
Cost of borrowings included in cost of sales	**2,314,508**	1,998,626
Cost of inventories sold	**339,875**	195,138
Cost of medical services	**4,077,373**	3,634,776
Cost of others	**40,658**	25,602
Depreciation of property, plant and equipment*	**434,208**	360,937
Loss on disposal of property, plant and equipment, net	**333**	5,737
Depreciation of right-of-use assets*	**45,836**	56,676
Amortisation of intangible assets*	**26,625**	24,436
Lease payments not included in the measurement of lease liabilities	**35,836**	10,926
Auditor's remuneration – audit services	**3,515**	3,515
– other services	**3,716**	7,065
Total	**7,231**	10,580
Research and development expenses	**35,875**	48,073
Employee benefit expense* (including directors' remuneration (Note 7))		
– Equity-settled share-based compensation expense	**1,059**	442
– Wages and salaries	**2,043,436**	1,847,745
– Pension scheme contributions (defined contribution schemes)	**290,232**	273,101
– Other employee benefits	**1,013,624**	682,698
Total	**3,348,351**	2,803,986
Impairment of loans and accounts receivables, other receivables and subordinated tranches of asset-backed securities	**192,099**	307,139
Impairment of inventories	**1,697**	–
Impairment of property, plant and equipment	**35**	–
Foreign exchange losses, net	**507,345**	533,962
Cash flow hedges (transfer from equity to offset foreign exchange)	**484,947**	241,552
Others- foreign exchange losses	**22,398**	292,410
Derivative financial instruments – transactions not qualifying as hedges:		
– Unrealised fair value gains, net	**(97,379)**	(6,389)
– Realised fair value gains, net	**(165,902)**	(122,176)

* The depreciation of property, plant and equipment and right-of-use assets, the amortisation of intangible assets and the employee benefit expense from research and development activities are included in research and development expenses.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2023	2022
	RMB'000	RMB'000
Fees	**1,452**	1,376
Other emoluments:		
Salaries, allowances and benefits in kind	**3,917**	4,200
Performance related bonuses*	**7,733**	8,423
Pension scheme contributions	**683**	632
Subtotal	**12,333**	13,255
Total fees and other emoluments	**13,785**	14,631

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the business performance of the Group.

As at 31 December 2019, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, details of which are set out in Note 39 to the financial statements.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 **RMB'000**	2022 RMB'000
Mr. Li Yinquan	**363**	344
Mr. Chow Siu Lui	**363**	344
Mr. Han Demin (ii)	**–**	174
Mr. Liao Xinbo (ii)	**–**	174
Mr. Chan, Hiu Fung Nicholas (i)	**363**	170
Mr. Xu Zhiming (i)	**363**	170
Total	**1,452**	1,376

Notes:

(i) Appointed on 22 June 2022
(ii) Resigned on 22 June 2022

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2023					
Executive directors:					
Ms. Peng Jiahong	–	1,447	2,810	253	4,510
Ms. Wang Lin (i)	–	370	520	75	965
Mr. Yu Gang(ii)	–	653	1,593	123	2,369
Subtotal	–	2,470	4,923	451	7,844
Chief executive:					
Mr. Wang Wenbing	–	1,447	2,810	232	4,489
Non-executive directors:					
Mr. Chan Kai Kong	–	–	–	–	–
Mr. Xu Ming	–	–	–	–	–
Mr. Tong Chaoyin	–	–	–	–	–
Mr. Zhu Ziyang	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	–	3,917	7,733	683	12,333

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and the chief executive (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2022					
Executive directors:					
Ms. Peng Jiahong	–	1,447	2,981	235	4,663
Mr. Yu Gang (ii)	–	1,306	2,716	235	4,257
Subtotal	–	2,753	5,697	470	8,920
Chief executive:					
Mr. Wang Wenbing	–	1,447	2,726	162	4,335
Non-executive directors:					
Mr. Chan Kai Kong	–	–	–	–	–
Mr. Che Lingyun (iii)	–	–	–	–	–
Mr. Xu Ming	–	–	–	–	–
Mr. Feng Songtao (iv)	–	–	–	–	–
Mr. Tong Chaoyin	–	–	–	–	–
Mr. Zhao Yan (v)	–	–	–	–	–
Mr. Zhu Ziyang	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	–	4,200	8,423	632	13,255

Notes:

(i) Appointed on 25 July 2023
(ii) Resigned on 21 June 2023
(iii) Appointed on 1 March 2022 and resigned on 22 June 2022
(iv) Appointed on 13 September 2021 and resigned on 9 February 2022
(v) Appointed on 27 August 2021 and resigned on 22 June 2022

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2022: the five highest paid employees during the year included three directors), details of whose remuneration are set out in Note 7 above. Details of the remuneration for the year of the remaining three (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries, allowances and benefits in kind	**2,611**	1,838
Performance related bonuses	**9,538**	5,323
Pension scheme contributions	**712**	369
Total	**12,861**	7,530

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HKD3,500,001 to HKD4,000,000 (RMB3,171,701 to RMB3,624,800)	**2**	1
HKD4,000,001 to HKD4,500,000 (RMB3,624,801 to RMB4,077,900)	**–**	1
HKD6,500,001 to HKD7,000,000 (RMB5,890,301 to RMB6,343,400)	**1**	–
Total	**3**	2

As at 31 December 2019, certain highest paid employees were granted share options, in respect of their services to the Group, under the share option scheme of the Company, details of which are set out in Note 39 to the financial statements.

9. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000 (restated)
Current – Chinese Mainland		
Charge for the year	**712,184**	728,545
Charge for/(overprovision in) prior years	**2,210**	(34,995)
Deferred tax	**(47,253)**	(76,224)
Total tax charge for the year	**667,141**	617,326

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year (2022: 16.5%).

The income tax provision of the Group in respect of its operations in Chinese Mainland has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

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

	2023 RMB'000	2022 RMB'000 (restated)
Profit before tax	**2,866,213**	2,703,274
At the statutory income tax rate	**713,449**	675,819
Expenses not deductible for tax purposes	**21,861**	15,671
Income not subject to tax	**(96,356)**	(53,521)
Profits attributable to a joint venture and associates	**(1,595)**	(3,365)
Adjustment on current income tax in respect of prior years	**2,210**	(34,995)
Unrecognised tax losses	**15,184**	16,602
Additional deductible expense	**(22,604)**	(27,416)
Utilisation of previously unrecognised tax losses	**(8)**	(1,069)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**35,000**	29,600
Income tax expense as reported in the consolidated statement of profit or loss	**667,141**	617,326

9. INCOME TAX EXPENSE (CONTINUED)

The share of tax attributable to associates and a joint venture amounting to nil (2022: approximately RMB2,000) and approximately RMB4,632,000 (2022: RMB4,312,000), respectively, is included in "Share of profits and losses of associates" and "Share of profit of a joint venture" in the consolidated statement of profit or loss.

10. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Proposed final dividend – HKD0.35 (2022: HKD0.34) per ordinary share	**606,275**	567,004

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,891,539,661 (2022: 1,891,539,661) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2022, the unvested share options under the Share Option Scheme had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. For the year ended 31 December 2023, the unvested share options under the Share Option Scheme have expired and were not included in the calculation of diluted earnings per share.

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

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

	2023 **RMB'000**	2022 RMB'000 (restated)
Profit attributable to ordinary equity holders of the parent	**2,020,918**	1,888,417
Interest on convertible bonds	**40,774**	37,979
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	**2,061,692**	1,926,396

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,891,539,661**	1,891,539,661
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**191,349,754**	185,560,510
Weighted average number of ordinary shares for diluted earnings per share	**2,082,889,415**	2,077,100,171

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2023

	Transportation equipment RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Medical equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023								
Cost (restated)	34,740	59,799	538,511	1,312,704	162,003	2,305,602	401,694	4,815,053
Accumulated depreciation (restated)	(13,329)	(33,539)	(186,165)	(499,737)	(63,587)	(198,397)	–	(994,754)
Net carrying amount (restated)	21,411	26,260	352,346	812,967	98,416	2,107,205	401,694	3,820,299
At 1 January 2023, net of accumulated depreciation (restated)	21,411	26,260	352,346	812,967	98,416	2,107,205	401,694	3,820,299
Additions	3,817	5,499	38,512	297,753	97,383	15,537	475,902	934,403
Acquisition of subsidiaries (Note 33b)	419	327	32,913	7,408	30,401	–	64	71,532
Depreciation provided during the year	(3,626)	(8,962)	(77,197)	(237,337)	(29,647)	(77,863)	–	(434,632)
Impairment during the year	(15)	–	(20)	–	–	–	–	(35)
Transfers	–	–	33,128	1,511	–	46,151	(80,790)	–
Disposals	(62)	(13)	(72)	(3)	–	–	–	(150)
At 31 December 2023, net of accumulated depreciation	21,944	23,111	379,610	882,299	196,553	2,091,030	796,870	4,391,417
At 31 December 2023								
Cost	38,480	65,507	633,474	1,618,737	289,787	2,367,290	796,870	5,810,145
Accumulated depreciation	(16,536)	(42,396)	(253,864)	(736,438)	(93,234)	(276,260)	–	(1,418,728)
Net carrying amount	21,944	23,111	379,610	882,299	196,553	2,091,030	796,870	4,391,417

As at 31 December 2023, the Group has not obtained the property ownership certificates for buildings with a net book value of RMB1,254,127,000 (31 December 2022: RMB1,237,753,000 (restated)). The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2023.

As at 31 December 2023, no property, plant and equipment (31 December 2022: Nil) were pledged to secure general banking facilities granted to the Group.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2022

	Transportation equipment RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Medical equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022								
Cost								
As previously reported	23,773	44,400	459,044	860,836	73,357	1,504,563	154,050	3,120,023
Business combination under common control (Note 33(a))	1,685	1,061	464	30,760	427	28,636	189	63,222
As restated	25,458	45,461	459,508	891,596	73,784	1,533,199	154,239	3,183,245
Accumulated depreciation								
As previously reported	(8,652)	(21,410)	(154,763)	(270,555)	(34,786)	(106,588)	–	(596,754)
Business combination under common control (Note 33(a))	(1,165)	(882)	(357)	(23,119)	(71)	(21,437)	–	(47,031)
As restated	(9,817)	(22,292)	(155,120)	(293,674)	(34,857)	(128,025)	–	(643,785)
Net carrying amount (restated)	15,641	23,169	304,388	597,922	38,927	1,405,174	154,239	2,539,460
At 1 January 2022, net of accumulated depreciation (restated)	15,641	23,169	304,388	597,922	38,927	1,405,174	154,239	2,539,460
Additions (restated)	4,992	13,660	50,255	190,166	10,604	6,407	296,588	572,672
Acquisition of subsidiaries (restated)	4,376	2,037	30,300	232,610	77,614	726,519	9,209	1,082,665
Depreciation provided during the year (restated)	(3,555)	(12,525)	(32,282)	(212,672)	(28,729)	(71,174)	–	(360,937)
Transfers	–	–	–	5,024	–	40,550	(45,574)	–
Disposals (restated)	(43)	(81)	(315)	(83)	–	(271)	(12,768)	(13,561)
At 31 December 2022, net of accumulated depreciation (restated)	21,411	26,260	352,346	812,967	98,416	2,107,205	401,694	3,820,299
At 31 December 2022								
Cost (restated)	34,740	59,799	538,511	1,312,704	162,003	2,305,602	401,694	4,815,053
Accumulated depreciation (restated)	(13,329)	(33,539)	(186,165)	(499,737)	(63,587)	(198,397)	–	(994,754)
Net carrying amount (restated)	21,411	26,260	352,346	812,967	98,416	2,107,205	401,694	3,820,299

13. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and equipments used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38 years to indefinite useful life, and no ongoing payments will be made under the terms of these land leases. The right-of-use land for certain hospitals, allocated from the government, is restricted to change its use nature. Leases of properties and equipments generally have lease terms between 2 and 20 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets		
	Property and Equipments RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2022, as previously reported	72,790	721,862	794,652
Business combination under common control (Note 33(a))	–	264	264
As at 1 January 2022 (restated)	72,790	722,126	794,916
Additions	193,148	–	193,148
Acquisition of subsidiaries	13,238	205,554	218,792
Depreciation charge (restated)	(53,069)	(3,607)	(56,676)
Revision of a lease term arising from a change in the non-cancellable period of a lease	4,623	–	4,623
Disposals	(9)	–	(9)
As at 31 December 2022 and 1 January 2023 (restated)	230,721	924,073	1,154,794
Additions	33,357	–	33,357
Acquisition of subsidiaries (Note 33(b))	14,856	–	14,856
Depreciation charge	(42,841)	(3,739)	(46,580)
Revision of a lease term arising from a change in the non-cancellable period of a lease	5,390	–	5,390
Disposals	(358)	–	(358)
As at 31 December 2023	**241,125**	**920,334**	**1,161,459**

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**989,927**	1,899,907
New leases	**1,483,357**	193,148
Accretion of interest recognised during the year	**62,913**	63,791
Payments	**(2,225,561)**	(1,180,091)
Acquisition of subsidiaries (Note 33(b))	**14,137**	8,549
Revision of a lease term arising from a change in the non-cancellable period of a lease	**5,390**	4,623
Carrying amount at 31 December	**330,163**	989,927
Analysed into:		
Current portion	**84,245**	807,942
Non-current portion	**245,918**	181,985

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

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

	2023 RMB'000	2022 RMB'000 (restated)
Interest on lease liabilities	**62,913**	63,791
Depreciation charge of right-of-use assets	**46,580**	56,676
Expense relating to short-term leases	**35,836**	10,926
Total amount recognised in profit or loss	**145,329**	131,393

(d) The total cash outflow for leases is disclosed in note 34(c) to the financial statements.

14. GOODWILL

	RMB'000
At 1 January 2022:	
Cost	102,253
Accumulated impairment	–
Net carrying amount	102,253
Cost at 1 January 2022, net of accumulated impairment	102,253
Impairment during the year	–
Cost and net carrying amount at 31 December 2022	102,253
At 31 December 2022	
Cost	102,253
Accumulated impairment	–
Net carrying amount	102,253
Cost at 1 January 2023, net of accumulated impairment	**102,253**
Acquisition of subsidiaries (Note 33(b))	**184,285**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2023	**286,538**
At 31 December 2023:	
Cost	**286,538**
Accumulated impairment	**–**
Net carrying amount	**286,538**

Goodwill acquired through business combinations is allocated to each of the acquired subsidiaries which are the cash-generating units ("CGUs") for impairment testing within the healthcare business.

14. GOODWILL (CONTINUED)

The recoverable amount of CGUs has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period which can be justified approved by senior management. The post-tax discount rates applied to the cash flow projections are 11.48% to 14% (2022: 13% to 15%). The implied pre-tax discount rates for the cash flow projections are 13.5% to 16.6% (2022: 14.44% to 15%). As at 31 December 2023, the Group assessed the impairment of goodwill and the recoverable amount exceeded the carrying amount, and hence the goodwill was not regarded as impaired (2022: Nil).

Assumptions were used in the value in use calculation of the CGUs for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flows projections to undertake impairment testing of goodwill.

Budgeted gross margin – the basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvement, and expected market development.

Discount rates – the discount rates used reflect specific risks relating to the unit. The values assigned to the key assumptions on market development, and the discount rates are comparable to external information sources.

15. INVESTMENT IN A JOINT VENTURE

	2023 **RMB'000**	2022 RMB'000
Carrying amount of the investment	**496,472**	486,195

15. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Particulars of the Group's joint venture are as follows:

Company name	Place of incorporation/ registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
四川環康醫院管理有限公司 (Sichuan Huankang Hospital management Co., Ltd.)	PRC/Chinese Mainland	53.30%	53.30%	Hospital management

Under a joint venture agreement with a joint venture partner of Panzhihua Iron and Steel (Group) Company Limited and Panzhihua Pangang Group Mining Company dated 30 September 2019, both parties have agreed to share the control over the economic activities of Sichuan Huankang Hospital Management Co., Ltd. amongst the joint venture partners.

The following table illustrates the summarised financial information in respect of Sichuan Huankang Hospital Management Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2023 RMB'000	2022 RMB'000
Non-current assets	**334,223**	339,533
Cash and cash equivalents	**13**	40
Current assets	**647,400**	624,063
Current liabilities	**(8,453)**	(9,754)
Non-current liabilities	**(20)**	–
Net assets	**973,163**	953,882
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**53.30%**	53.30%
Group's share of net assets of the joint venture	**518,696**	508,419
Effect of unpaid consideration on the share of net asset	**(22,224)**	(22,224)
Carrying amount of the investment	**496,472**	486,195

15. INVESTMENT IN A JOINT VENTURE (CONTINUED)

	2023 RMB'000	2022 RMB'000
Revenue	**41,501**	42,257
Administrative expenses	**(8,535)**	(6,763)
Other expenses	**(44)**	(39)
Profit and total comprehensive income for the period after the Group's investment	**25,233**	25,235

16. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	**107,123**	28,769

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Carrying amount of the investments	**107,123**	28,769
Share of the associates' profit or loss for the year	**(7,069)**	12

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **RMB'000**	2022 RMB'000
Unlisted debt investments, at fair value	**216,641**	245,987

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

The above debt investments at 31 December 2023 included a carrying amount of RMB216,641,000 (31 December 2022: RMB245,987,000), and they were investments of priorities tranches of asset-backed securities. The Group does not have the current ability to direct the activities of those products that significantly affect their returns. The Group's maximum exposure to those debt investments approximates to their carrying amounts.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2023		2022	
	Assets **RMB'000**	**Liabilities** **RMB'000**	Assets RMB'000	Liabilities RMB'000
Forward currency contracts	**208,513**	**25,324**	146,220	120,802
Interest rate swaps	**32,935**	**1,284**	62,642	–
Cross-currency interest rate swaps	**22,522**	**–**	23,292	–
Total	**263,970**	**26,608**	232,154	120,802
Portion classified as non-current:				
Forward currency contracts	**–**	**–**	20,320	83,308
Interest rate swaps	**–**	**–**	56,932	–
Cross-currency interest rate swaps	**–**	**–**	23,292	–
	–	**–**	100,544	83,308
Current portion	**263,970**	**26,608**	131,610	37,494
	263,970	**26,608**	232,154	120,802

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9

During the year, the Group newly designated 3 (2022: 19) foreign exchange rate contracts and 4 (2022: Nil) interest rate swap contracts, as hedges for future cash flows arising from borrowings which will be settled in United States dollars and Hong Kong dollars.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the forward currency contracts, interest rate swap contracts and cross-currency interest rate swaps match the terms of the bank loans (i.e., notional amount, expected payment date and interest rate). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the forward currency contracts, interest rate swap contracts and cross-currency interest rate swaps are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The Group holds forward currency contracts, with a positive net fair value of RMB81,254,000 (31 December 2022: RMB22,146,000) and a total notional amount of USD815,123,000 (31 December 2022: USD1,783,123,000). These forward currency contracts were designated as hedging instruments in cash flow hedges of currency risks arising from bank loans denominated in United States dollars.

The Group holds interest rate swap contracts, with a positive net fair value of RMB15,844,000 (31 December 2022: RMB37,215,000), and a total notional amount of USD69,250,000 (31 December 2022: USD118,250,000) whereby the Group pays a fixed rate of interest on the USD notional amount at 2.00% to 2.35% per annum. The swaps are being used to hedge the interest rate exposure of two floating rate long-term borrowings denominated in United States dollars with a total face value of USD69,250,000 (31 December 2022: USD118,250,000), a positive net fair value of RMB17,091,000 (31 December 2022: RMB25,427,000), and a total notional amount of HKD2,745,150,000 (31 December 2022: HKD540,150,000) whereby the Group pays a fixed rate of interest on the HKD notional amount at 2.00% to 4.44% per annum. The swaps are being used to hedge the interest rate exposure of five floating rate long-term borrowings denominated in Hong Kong dollars with a total face value of HKD2,745,150,000 (31 December 2022: HKD540,150,000).

The Group holds cross-currency interest rate swaps, with a positive net fair value of RMB22,522,000 (31 December 2022: RMB23,292,000), and a total notional amount of USD34,744,000 (31 December 2022: USD48,843,000) whereby the Group pays a fixed rate of interest on the USD notional amount at 3.72% to 3.93% per annum. These swaps were designated as hedging instruments in cash flow hedges of currency risks arising from bank loans denominated in United States dollars and are being used to hedge the interest rate exposure of six floating rate long-term borrowings denominated in United States dollars with the total face value of USD34,744,000 (31 December 2022: USD48,843,000).

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following forward currency contracts, interest rate swap contracts and cross-currency interest rate swaps:

	Maturity						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2023							
Forward currency contracts							
Notional amount (in USD'000)	63,600	113,500	621,523	16,500	–	–	815,123
Average forward rate (USD/RMB)	7.00	7.06	6.61	6.77	–	–	
Interest rate swap contracts							
Notional amount (in USD'000)	–	–	69,250	–	–	–	69,250
Average fixed rate	–	–	2.17%	–	–	–	
Notional amount (in HKD'000)	775,000	800,000	1,170,150	–	–	–	2,745,150
Average fixed rate	4.44%	3.80%	3.24%	–	–	–	
Cross-currency interest rate swaps							
Notional amount (in USD'000)	4,528	30,216	–	–	–	–	34,744
Average forward rate (USD/RMB)	6.46	6.42	–	–	–	–	
Average fixed rate	3.72%	3.92%	–	–	–	–	
Hedge rate	100.00%	100.00%	100.00%	100.00%	–	–	

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

	Maturity						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2022							
Forward currency contracts							
Notional amount (in USD'000)	4,600	73,300	4,600	803,300	897,323	–	1,783,123
Average forward rate (USD/RMB)	6.76	7.01	6.82	6.63	6.75	–	
Interest rate swap contracts							
Notional amount (in USD'000)	–	49,000	–	–	69,250	–	118,250
Average fixed rate	–	1.76%	–	–	2.18%	–	
Notional amount (in HKD'000)	–	–	–	–	540,150	–	540,150
Average fixed rate	–	–	–	–	2.23%	–	
Cross-currency interest rate swaps							
Notional amount (in USD'000)	–	–	–	–	48,843	–	48,843
Average forward rate (USD/RMB)	–	–	–	–	6.43	–	
Average fixed rate	–	–	–	–	3.89%	–	
Hedge rate	100.00%	100.00%	100.00%	100.00%	100.00%	–	

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount USD/HKD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value RMB'000
As at 31 December 2023				
Forward currency contracts (USD/RMB)	**815,123**	**81,254**	**Derivative financial instruments (asset/ liabilities)**	**59,108**
Interest rate swaps (in USD'000)	**69,250**	**15,844**	**Derivative financial instruments (assets)**	**(21,371)**
Interest rate swaps (in HKD'000)	**2,745,150**	**17,091**	**Derivative financial instruments (assets)**	**(8,336)**
Cross-currency interest rate swaps (USD/RMB)	**34,744**	**22,522**	**Derivative financial instruments (assets)**	**(770)**
As at 31 December 2022				
Forward currency contracts (USD/RMB)	1,783,123	22,146	Derivative financial instruments (asset/ liabilities)	328,474
Interest rate swaps (in USD'000)	118,250	37,215	Derivative financial instruments (assets)	32,542
Interest rate swaps (in HKD'000)	540,150	25,427	Derivative financial instruments (assets)	24,588
Cross-currency interest rate swaps (USD/RMB)	48,843	23,292	Derivative financial instruments (assets)	31,658

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

	Cash flow hedge reserve	
	2023 RMB'000	2022 RMB'000
Unsecured bank loans	**262,695**	708,556

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

Year ended 31 December 2023

	Total hedging gain/(loss) recognised in other comprehensive income			Amount reclassified from other comprehensive income to profit or loss			
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	Line item in the statement of profit or loss
Forward currency contracts	**59,108**	**(19,795)**	**39,313**	**444,688**	**(66,493)**	**378,195**	**Other expense/ Other income and gains**
Cross-currency interest rate swaps	**(770)**	**193**	**(577)**	**1,173**	**(293)**	**880**	**Other expense/ Other income and gains**
Interest rate swaps	**(29,707)**	**–**	**(29,707)**	**–**	**–**	**–**	**N/A**
Total	**28,631**	**(19,602)**	**9,029**	**445,861**	**(66,786)**	**379,075**	

Year ended 31 December 2022

	Total hedging gain/(loss) recognised in other comprehensive income			Amount reclassified from other comprehensive income to profit or loss			
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	Line item in the statement of profit or loss
Forward currency contracts	328,474	(71,634)	256,840	(941,045)	176,457	(764,588)	Other expense/Other income and gains
Cross-currency interest rate swaps	31,658	(7,915)	23,743	(32,927)	8,226	(24,701)	Other expense/Other income and gains
Interest rate swaps	57,130	–	57,130	–	–	–	N/A
Total	417,262	(79,549)	337,713	(973,972)	184,683	(789,289)	

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments – transactions not qualifying as hedges:

Forward currency contracts with a total nominal amount of USD432,477,000 (2022: a total nominal amount of USD182,477,000) and interest rate swaps with a total nominal amount of USD175,000,000 (2022: Nil) are not designated for hedge purposes and are measured at fair value through profit or loss. An unrealised profit on the fair value of these financial derivatives amounting to RMB97,379,000 (2022: RMB6,389,000) was included in the statement of profit or loss during the year ended 31 December 2023.

19. INVENTORIES

	2023 RMB'000	2022 RMB'000 (restated)
Finished goods	**431,141**	388,052

20. LOANS AND ACCOUNTS RECEIVABLES

	2023 RMB'000	2022 RMB'000 (restated)
Loans and accounts receivables due within 1 year	**25,718,469**	23,478,653
Loans and accounts receivables due after 1 year	**41,543,421**	41,404,185
Total	**67,261,890**	64,882,838

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20a. Loans and accounts receivables by nature

	2023 RMB'000	2022 RMB'000 (restated)
Gross lease receivables (note 20b)	**4,648,711**	7,324,293
Less: Unearned finance income	**(1,534,107)**	(1,510,528)
Net lease receivables (note 20b) **	**3,114,604**	5,813,765
Receivables arising from sale-and-leaseback arrangements (note 20c) **	**62,698,125**	58,011,919
Factoring receivables (note 20d) **	**1,535,856**	1,408,147
Subtotal of interest-earning assets	**67,348,585**	65,233,831
Accounts receivable (note 20e) *	**1,790,060**	1,367,505
Notes receivable (note 20f)	**41,478**	1,900
Subtotal of loans and accounts receivables	**69,180,123**	66,603,236
Less:		
Provision for lease receivables	**(630,018)**	(777,701)
Provision for receivables arising from sale-and-leaseback arrangements	**(1,221,210)**	(895,092)
Provision for factoring receivables	**(33,745)**	(21,958)
Provision for interest-earning assets (note 20g)	**(1,884,973)**	(1,694,751)
Provision for accounts receivable (note 20e)	**(33,260)**	(25,647)
Total	**67,261,890**	64,882,838

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

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

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20b(1). An ageing analysis of the lease receivables, determined based on the age of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000 (restated)
Gross lease receivables:		
Within 1 year	**12,759**	–
3 years and beyond	**4,635,952**	7,324,293
Total	**4,648,711**	7,324,293

	2023 RMB'000	2022 RMB'000
Net lease receivables:		
Within 1 year	**10,245**	–
3 years and beyond	**3,104,359**	5,813,765
Total	**3,114,604**	5,813,765

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

	2023 RMB'000	2022 RMB'000
Gross lease receivables:		
Due within 1 year	**1,885,326**	4,754,900
Due in 1 to 2 years	**1,347,270**	1,802,753
Due in 2 to 3 years	**774,988**	653,316
Due after 3 years and beyond	**641,127**	113,324
Total	**4,648,711**	7,324,293

	2023 RMB'000	2022 RMB'000
Net lease receivables:		
Due within 1 year	**1,043,354**	3,695,780
Due in 1 to 2 years	**950,529**	1,537,037
Due in 2 to 3 years	**613,745**	560,898
Due after 3 years and beyond	**506,976**	20,050
Total	**3,114,604**	5,813,765

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20b(2). There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that needed to be recorded as at the end of the reporting period.

As at 31 December 2023, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were nil and nil (As at 31 December 2022: RMB300,478,000 and RMB282,716,000), respectively.

20c(1). An ageing analysis of receivables arising from sale-and-leaseback arrangements, determined based on the age of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period is as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**25,172,504**	23,420,268
1 to 2 years	**16,118,369**	19,579,695
2 to 3 years	**12,699,822**	8,585,709
3 years and beyond	**8,707,430**	6,426,247
Total	**62,698,125**	58,011,919

20c(2). The table below illustrates the amounts of receivables arising from sale-and-leaseback arrangements the Group expects to receive in the following consecutive accounting years:

	2023 **RMB'000**	2022 RMB'000
Due within 1 year	**22,795,624**	18,561,312
Due in 1 to 2 years	**18,639,344**	16,636,111
Due in 2 to 3 years	**12,288,560**	12,846,286
Due after 3 years and beyond	**8,974,597**	9,968,210
Total	**62,698,125**	58,011,919

As at 31 December 2023, the Group's receivables arising from sale-and-leaseback arrangements pledged or charged as security for the Group's bank and other borrowings amounted to RMB8,799,229,000 (31 December 2022: RMB6,133,017,000).

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20d. An ageing analysis of the factoring receivables, determined based on the age of the receivables since the recognition date of the factoring receivables, as at the end of the year is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	**688,496**	986,647
More than 1 year	**847,360**	421,500
Total	**1,535,856**	1,408,147

20e(1). An ageing analysis of the accounts receivable, determined based on the age of the receivables since the recognition date of the accounts receivable, as at the end of the year is as follows:

	2023 RMB'000	2022 RMB'000 (restated)
Within 1 year	**1,636,210**	1,294,356
More than 1 year	**153,850**	73,149
Total	**1,790,060**	1,367,505

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

20e(2). Provision for accounts receivable

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.

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20e(2). Provision for accounts receivable (continued)

Set out below is the information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

As at 31 December 2023

	Ageing		
	Within 1 year	**Over 1 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Gross carrying amount	**1,636,210**	**153,850**	**1,790,060**
Expected credit loss	**11,257**	**22,003**	**33,260**
Average expected credit loss rate	**0.69%**	**14.30%**	**1.86%**

As at 31 December 2022

	Ageing		
	Within 1 year	Over 1 years	Total
	RMB'000	RMB'000	RMB'000
Gross carrying amount (restated)	1,294,356	73,149	1,367,505
Expected credit loss (restated)	3,172	22,475	25,647
Average expected credit loss rate (restated)	0.25%	30.72%	1.88%

20f. An ageing analysis of the notes receivable, determined based on the age of the receivables since the recognition date of the notes receivable, as at the end of the year is as follows:

	2023	2022
	RMB'000	RMB'000
Within 1 year	**41,478**	1,900

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20g. Analysis of interest-earning assets

As at 31 December 2023	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs-impaired) RMB'000	Total RMB'000
Total interest-earning assets	**60,239,150**	**6,446,992**	**662,443**	**67,348,585**
Allowance for impairment losses	**(945,255)**	**(591,420)**	**(348,298)**	**(1,884,973)**
Interest-earning assets, net	**59,293,895**	**5,855,572**	**314,145**	**65,463,612**

As at 31 December 2022	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs-impaired) RMB'000	Total RMB'000
Total interest-earning assets	58,052,407	6,342,938	838,486	65,233,831
Allowance for impairment losses	(688,107)	(639,852)	(366,792)	(1,694,751)
Interest-earning assets, net	57,364,300	5,703,086	471,694	63,539,080

20h. Movements in provision for interest-earning assets

The Group has applied the general approach to providing for expected credited losses ("ECLs"), which permits the use of either a twelve-month basis or a lifetime basis to record expected credit losses based on an expected credit loss model for interest-earning assets.

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

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

	2023			
	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs-impaired) RMB'000	Total RMB'000
At beginning of the year	**688,107**	**639,852**	**366,792**	**1,694,751**
Impairment losses for the year	**93,066**	**18,481**	**78,375**	**189,922**
Conversion to Stage I	**195,699**	**(195,699)**	**–**	**–**
Conversion to Stage II	**(31,617)**	**156,471**	**(124,854)**	**–**
Conversion to Stage III	**–**	**(27,685)**	**27,685**	**–**
Recoveries of interest-earning assets previously written off	**–**	**–**	**300**	**300**
At end of the year	**945,255**	**591,420**	**348,298**	**1,884,973**

	2022			
	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs-impaired) RMB'000	Total RMB'000
At beginning of the year	589,413	498,358	344,510	1,432,281
Impairment losses for the year	104,091	135,543	64,900	304,534
Conversion to Stage I	41,668	(41,668)	–	–
Conversion to Stage II	(47,065)	84,580	(37,515)	–
Conversion to Stage III	–	(36,961)	36,961	–
Write-off	–	–	(42,064)	(42,064)
At end of the year	688,107	639,852	366,792	1,694,751

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20i. BALANCES WITH RELATED PARTIES

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

Accounts receivable:

	2023 **RMB'000**	2022 RMB'000 (restated)
Shenyang Aerospace Hospital	**4,650**	–
Shanghai Electric Power Hospital	**2,684**	–
China National Instruments Import & Export (Group) Corporation	**1,805**	1,805
China Meheco Beijing Baitai-Borui Technology Co., Ltd.	**51**	48
Total due from related parties	**9,190**	1,853

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

The balances with the related parties are unsecured, interest-free and repayable on demand.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	2023 RMB'000	2022 RMB'000 (restated)
Current:			
Prepayments		**87,457**	110,719
Other receivables		**527,698**	512,349
Other current assets		**71,108**	49,948
Due from related parties	21a	**24,991**	26,762
Interest receivables		**–**	3,961
Total – current		**711,254**	703,739
Non-current:			
Subordinated tranches of asset-backed securities		**200,983**	172,519
Continuing involvement in transferred assets (Note 44)		**309,499**	280,968
Prepayments for non-current assets		**90,445**	192,237
Other receivables for non-current assets		**3,663**	–
Other non-current assets		**25,941**	20,228
Total – non-current		**630,531**	665,952
Impairment allowance		**(31,259)**	(36,073)
Total		**1,310,526**	1,333,618

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

21a. BALANCES WITH RELATED PARTIES

Particulars of amounts due from related parties are as follows:

		2023 RMB'000	2022 RMB'000
Due from related parties:			
Genertec Group Healthcare Digital Technology (Beijing) Co., Ltd.	(iii)	**21,185**	–
Genertec Group Asset Management Co., Ltd.	(i)	**3,476**	–
Genertec Finance Co., Ltd.	(i)	**253**	13,553
China General Technology (Group) Holding Company Limited	(i)	**70**	54
China General Consulting & Investment Co., Ltd.	(i)	**5**	–
China Xinxing Construction & Development Co., Ltd.	(i)	**1**	7,846
Genertec International Logistics Co., Ltd.	(i)	**1**	1
Instrimpex International Tendering Co., Ltd.	(i)	**–**	2,495
Genertec Hong Kong International Capital Limited	(i)	**–**	1,126
China Telecommunication Construction No.5 Engineering Co., Ltd.	(i)	**–**	850
Paryocean Properties Co., Ltd.	(i)	**–**	322
Sichuan Huankang Hospital Management Co., Ltd.	(ii)	**–**	316
China National Instruments Import & Export (Group) Corporation	(i)	**–**	159
China Meheco Beijing Baitai-Borui Technology Co., Ltd.	(i)	**–**	40
Total due from related parties		**24,991**	26,762

(i) The above related parties are subsidiaries of Genertec Group. The balances with the related parties are unsecured and interest-free.

(ii) The above related party is a joint venture of the Group. The balance with the related party is unsecured and interest-free.

(iii) The above related party is an associate of the Group. The balance with the related party is unsecured and interest-free.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2023 **RMB'000**	2022 RMB'000 (restated)
Cash and bank balances	**3,539,945**	3,333,645
Time deposits	**–**	150,000
Subtotal	**3,539,945**	3,483,645
Less: Restricted deposits:		
Pledged deposits and restricted bank deposits	**(690,972)**	(628,303)
Time deposits with original maturity of more than three months	**–**	(150,000)
Cash and cash equivalents	**2,848,973**	2,705,342

As at 31 December 2023, the cash and bank balances of the Group denominated in RMB amounted to RMB3,395,033,000 (31 December 2022: RMB3,069,301,000 (restated)). RMB is freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2023, cash of RMB671,852,000 (31 December 2022: RMB628,303,000) was pledged and restricted for bank and other borrowings.

As at 31 December 2023, cash of RMB19,120,000 (31 December 2022: Nil) was pledged for bank acceptances, letters of credit and others.

As at 31 December 2023, cash of RMB1,534,481,000 (31 December 2022: RMB1,217,090,000 (restated)) was deposited with Genertec Finance Co., Ltd., a related party.

23. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 **RMB'000**	2022 RMB'000 (restated)
Measured at fair value:		
Notes receivable	**11,415**	–

24. TRADE AND BILLS PAYABLES

	2023 **RMB'000**	2022 RMB'000 (restated)
Bills payables	**966,478**	615,096
Trade payables	**1,905,748**	1,651,391
Due to related parties (note 24b)	**116,447**	27,937
Total	**2,988,673**	2,294,424

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

24a. 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:

	2023 **RMB'000**	2022 RMB'000 (restated)
Within 1 year	**2,742,560**	2,233,744
1 to 2 years	**222,336**	33,844
2 to 3 years	**4,710**	2,761
Over 3 years	**19,067**	24,075
Total	**2,988,673**	2,294,424

24. TRADE AND BILLS PAYABLES (CONTINUED)

24b. BALANCES WITH RELATED PARTIES

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

		2023 RMB'000	2022 RMB'000 (restated)
Trade payables:			
China Xinxing Construction Engineering Co., Ltd.	(i)	**73,231**	27,170
China Meheco Beijing Baitai-Borui Technology Co., Ltd.	(i)	**40,499**	290
Handan General Pharmaceutical Co., Ltd.	(i)	**1,424**	–
Genertec Group Healthcare Digital Technology (Beijing) Co., Ltd.	(ii)	**371**	–
Instrimpex International Tendering Co., Ltd.	(i)	**339**	–
China Telecommunication Construction No.5 Engineering Co., Ltd.	(i)	**228**	–
Genertec Group Beijing Yongzheng Pharmaceutical Co., Ltd.	(i)	**185**	–
Genertec Italia s.r.l.	(i)	**84**	79
Genertec International Logistics Co., Ltd.	(i)	**79**	79
Beijing Meikang Baitai Pharmaceutical Technology Co., Ltd.	(i)	**7**	–
Genertec Europe Temax GmbH	(i)	**–**	319
Total due to related parties		**116,447**	27,937

(i) The above related parties are subsidiaries of Genertec Group.

(ii) The above related party is an associate of the Group.

(iii) The balances with the related parties are unsecured, interest-free or based on the payment schedules agreed between the Group and the respective parties.

25. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Current:			
Lease deposits due within one year		**1,039,304**	455,431
Accrued salaries		**439,161**	305,630
Welfare payables		**62,447**	51,561
Current portion of post-retirement benefit obligation	29	**6,895**	7,179
Contract liabilities	25a	**248,489**	263,874
Due to related parties	25b	**303,829**	363,280
Other taxes payable		**148,103**	85,677
Interest payable		**260,676**	315,649
Funds collected on behalf of special purpose entities in relation to asset-backed securitisations*		**1,073,211**	619,573
Other payables		**818,799**	775,677
Total – current		**4,400,914**	3,243,531
Non-current:			
Lease deposits due after one year		**3,494,480**	3,348,185
Accrued salaries		**865,455**	850,392
Non-current portion of retirement benefit obligation	29	**82,946**	84,924
Deferred income		**28,926**	21,253
Other payables		**10,044**	19,548
Total – non-current		**4,481,851**	4,324,302
Total		**8,882,765**	7,567,833

* The Group transferred loans and accounts receivables to special purpose entities. The Group collected the receivables on behalf of special purpose entities and would pay the funds based on the payment schedule agreed between the Group and the special purpose entities.

25. OTHER PAYABLES AND ACCRUALS (CONTINUED)

25a. Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000 (restated)	1 January 2022 RMB'000 (restated)
Service fee income	**81,833**	67,025	3,108
Sale of finished goods	**22,028**	31,040	9,248
Healthcare service	**144,628**	165,809	151,054
Total contract liabilities	**248,489**	263,874	163,410

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

25. OTHER PAYABLES AND ACCRUALS (CONTINUED)

25b. BALANCES WITH RELATED PARTIES

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

		2023 RMB'000	2022 RMB'000
Due to related parties			
Sichuan Huankang Hospital Management Co., Ltd.	(ii)	**138,626**	351,977
Genertec Group Healthcare Digital Technology (Beijing) Co., Ltd.	(iii)	**134,707**	–
Genertec Hong Kong International Capital Limited	(i)	**21,462**	11,303
Sichuan Zhongqi Healthcare Industry Co., Ltd.	(iv)	**6,716**	–
China XinXing Construction & Development Co., Ltd.	(i)	**2,318**	–
Total due to related parties		**303,829**	363,280

(i) The above related parties are subsidiaries of Genertec Group. The balance with related parties were unsecured and repayable based on the payment schedule agreed between the Group and the related parties.

(ii) The above related party is a joint venture of the Group. The balance with a related party was unsecured and repayable based on the payment schedule agreed between the Group and the related party.

(iii) The above related party is an associate of the Group. The balance with a related party was unsecured and repayable based on the payment schedule agreed between the Group and the related party.

(iv) The above related party is a subsidiary of the joint venture. The balance with a related party was unsecured and repayable based on the payment schedule agreed between the Group and the related party.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans						
– secured	2.70~2.80	2024	400,000	2.80	2023	200,000
– unsecured	2.50~6.56	2024	6,200,697	2.05~3.98	2023	2,318,976
Current portion of long-term bank loans:						
– secured	2.90~3.95	2024	2,586,417	3.05~4.99	2023	1,811,973
– unsecured	2.50~6.93	2024	6,791,666	3.20~5.57	2023	8,519,140
Lease liabilities						
– secured	4.50	2024	67,337	3.85	2023	767,574
– unsecured	4.75~4.90	2024	16,908	4.75~4.90	2023	40,368
Bonds payables						
– unsecured	2.28~3.79	2024	6,445,381	1.80~4.30	2023	7,144,759
Due to a related party						
– unsecured	2.85~2.95	2024	29,199	–	–	–
Total – current			22,537,605			20,802,790
Non-current:						
Bank loans						
– secured	2.90~3.85	2025~2028	5,346,383	3.05~4.70	2024~2027	3,213,343
– unsecured	2.50~3.75	2025~2030	5,090,152	2.50~5.59	2024~2027	8,216,816
Bonds payables						
– unsecured	3.00~3.65	2025~2028	8,993,483	3.08~4.33	2024~2027	9,420,547
Lease liabilities						
– secured	4.50	2025	31,700	–	–	–
– unsecured	4.75~4.90	2025~2031	214,218	4.75~4.90	2024~2031	181,985
Due to related parties						
– unsecured	3.65~6.81	2025~2027	4,416,540	3.80~5.31	2024~2025	4,092,920
Subtotal – non-current			24,092,476			25,125,611
Convertible bonds						
– host debts (Note 27)	2.00	2026	1,019,519	2.00	2026	982,982
Total – non-current			25,111,995			26,108,593
Total			47,649,600			46,911,383

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

The carrying amounts of borrowings are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
Hong Kong dollar	**3,054,146**	3,770,991
RMB	**38,504,534**	32,720,554
United States dollar	**6,090,920**	10,419,838
Total	**47,649,600**	46,911,383

An analysis of the carrying amounts of borrowings by type of interest rate is as follows:

	2023 RMB'000	2022 RMB'000
Fixed interest rate	**24,431,290**	21,344,980
Variable interest rate	**23,218,310**	25,566,403
Total	**47,649,600**	46,911,383

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

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**15,978,780**	12,850,089
In the second year	**5,834,915**	8,634,240
In the third to fifth years, inclusive	**4,280,412**	2,795,919
Beyond five years	**321,208**	–
Subtotal	**26,415,315**	24,280,248
Other borrowings repayable:		
Within one year	**6,558,825**	7,952,701
In the second year	**4,958,695**	292,831
In the third to fifth years, inclusive	**9,553,227**	14,385,603
Beyond five years	**163,538**	–
Subtotal	**21,234,285**	22,631,135
Total	**47,649,600**	46,911,383

Notes:

(a) As at 31 December 2023, the Group's bank and other borrowings secured by loans and accounts receivables, cash and bank balances and restricted deposits were RMB8,429,333,000 (31 December 2022: RMB5,992,890,000).

(b) As at 31 December 2023, the principal amounts of the Group's borrowings from related parties were RMB2,116,540,000 from Genertec HongKong International Capital Limited, RMB2,300,000,000 from China General Technology (Group) Holding Company Limited and RMB29,199,000 from Genertec Finance Co., Ltd. (31 December 2022: RMB2,092,920,000 from Genertec HongKong International Capital Limited and RMB2,000,000,000 from China General Technology (Group) Holding Company Limited).

(c) As at 31 December 2023, China General Technology (Group) Holding Company Limited provided a comfort letter for bank borrowings in an amount of RMB1,730,976,000 (31 December 2022: RMB11,335,933,000).

27. CONVERTIBLE BONDS

On 25 March 2021, Genertec Universal Medical Development (BVI) Co., Ltd., a wholly-owned subsidiary of the Company issued the Convertible Bonds under the Specific Mandate (the "Convertible Bonds") with a nominal value of USD150,000,000. The Convertible Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the year. The Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HKD6.56 per share at any time on or after 25 March 2021 (the "Issue Date") and up to 5:00 p.m. on the fifteenth day prior to 25 March 2026 (the "Maturity Date"). The conversion price of the Convertible Bonds was adjusted from HKD6.56 per share to HKD6.47 per share with effect from 18 June 2021 as a result of the declaration of the final dividend for the year ended 31 December 2020, and was further adjusted from HKD6.47 per share to HKD6.28 per share and then to HK6.09 per share with effect from 16 June 2022 and 16 June 2023 respectively as a result of the declaration of the final dividend for the year ended 31 December 2021 and 31 December 2022. The Convertible Bonds are redeemable at the option of the bondholders at 100.00 per cent of their principal amount on 25 March 2024 or 2025. Any of the Convertible Bonds not converted will be redeemed on 25 March 2026 at 100.00 percent of their principal amount. The Convertible Bonds carry interest at a rate of 2.0 percent per annum, and interest is payable semi-annually in arrears on 25 March and 25 September.

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

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

	2023 **RMB'000**	2022 RMB'000
Nominal value of convertible bonds issued	**979,230**	979,230
Equity component	**(75,486)**	(75,486)
Direct transaction costs attributable to the equity component	**(1,020)**	(1,020)
Direct transaction costs attributable to the liability component	**(12,037)**	(12,037)
Liability component at the issuance date	**890,687**	890,687
Interest expense	**106,529**	65,755
Interest paid	**(50,700)**	(29,685)
Exchange realignment	**73,003**	56,225
Liability component at 31 December (Note 26)	**1,019,519**	982,982

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax assets

	Impairment RMB'000	Salary and welfare payable RMB'000	Cash flow hedges RMB'000	Fair value loss on derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2023 (restated)	**422,490**	**199,645**	**160,324**	**10,165**	**7,939**	**800,563**
Credited to the statement of profit or loss during the year	**44,815**	**38,692**	**(2,728)**	**(10,165)**	**(3,291)**	**67,323**
Credited to reserves	**–**	**–**	**(86,388)**	**–**	**–**	**(86,388)**
Business combination not under common control (Note 33(b))	**825**	**–**	**–**	**–**	**675**	**1,500**
Gross deferred tax assets at 31 December 2023	**468,130**	**238,337**	**71,208**	**–**	**5,323**	**782,998**
Gross deferred tax assets at 1 January 2022, as previously reported	354,632	168,785	27,524	45,103	6,335	602,379
Business combination under common control (Note 33(a))	–	–	–	–	9	9
Gross deferred tax assets at 1 January 2022 (restated)	354,632	168,785	27,524	45,103	6,344	602,388
Credited to the statement of profit or loss during the year (restated)	67,858	30,860	27,666	(34,938)	1,595	93,041
Credited to reserves	–	–	105,134	–	–	105,134
Gross deferred tax assets at 31 December 2022 (restated)	422,490	199,645	160,324	10,165	7,939	800,563

28. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax liabilities

	Lease deposits RMB'000	Fair value gain on derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2023 (restated)	**48,129**	**–**	**9,883**	**58,012**
Charged to the statement of profit or loss during the year	**3,112**	**9,147**	**7,811**	**20,070**
Business combination under not common control (Note 33(b))	**–**	**–**	**2,753**	**2,753**
Gross deferred tax liabilities at 31 December 2023	**51,241**	**9,147**	**20,447**	**80,835**
Gross deferred tax liabilities at 1 January 2022	37,889	–	3,306	41,195
Charged to the statement of profit or loss during the year (restated)	10,240	–	6,577	16,817
Gross deferred tax liabilities at 31 December 2022 (restated)	48,129	–	9,883	58,012

For the purpose of presentation of the consolidated statement of financial position, deferred tax assets and liabilities have been offset as the deferred taxes relate to the same taxable entity and the same taxation authority, and net deferred tax assets are presented as follows:

	2023 RMB'000	2022 RMB'000 (restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**702,163**	742,551

28. DEFERRED TAX (CONTINUED)

The Company has tax losses arising in Hong Kong of RMB202,425,000 (2022: RMB188,204,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Chinese Mainland of RMB60,134,000 (2022: RMB45,014,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the Chinese Mainland in respect of earnings generated from 1 January 2008.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland (2022: Nil). In the opinion of the directors, part of Chinese Mainland subsidiaries' profits will be retained to expand the operations in Chinese Mainland and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB6,669,541,000 (2022: RMB5,747,745,000).

29. POST-RETIREMENT BENEFIT OBLIGATIONS

The Group provides eligible retirees with other post-retirement benefits, including retirement subsidies, transportation allowance as well as other welfare. The expected cost of providing these post-retirement benefits is actuarially determined and recognised by using the projected unit credit method, which involves a number of assumptions and estimates, including the inflation rate, discount rate, etc.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for pensioners.

The most recent actuarial valuation of the post-retirement benefit obligations was carried out at 31 December 2023 using the projected unit credit actuarial valuation method.

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

	2023 **RMB'000**	2022 RMB'000
Post-retirement benefit obligations	**89,841**	92,103
Less: current portion	**(6,895)**	(7,179)
Non-current portion	**82,946**	84,924

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

	2023	2022
Discount rate for post-retirement benefits	**2.90%**	2.90%
Mortality rate	**China Insurance Life Mortality Table (2010-2013). CL5 for Male and CL6 for Female**	China Insurance Life Mortality Table (2010-2013). CL5 for Male and CL6 for Female
Total military welfare expense growth rate	**6.00%**	6.00%
Growth rate of work-related injury and living expenses	**2.50%**	2.50%

29. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

2023	**Increase in rate %**	**Increase/ (decrease) in post-retirement benefit obligations RMB'000**	**Decrease in rate %**	**Increase/ (decrease) in post-retirement benefit obligations RMB'000**
Discount rates for post-retirement benefits	**0.25**	**(2,361)**	**0.25**	**2,465**
Annual increase rate of military welfare expense	**0.25**	**722**	**0.25**	**(696)**
Annual increase rate of work-related injury and living expenses	**0.25**	**7**	**0.25**	**(7)**

2022	Increase in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000	Decrease in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000
Discount rates for post-retirement benefits	0.25	(2,422)	0.25	2,529
Annual increase rate of military welfare expense	0.25	757	0.25	(729)
Annual increase rate of work-related injury and living expenses	0.25	24	0.25	(23)

29. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net post-retirement benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

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

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**6,895**	7,179
Between 2 and 5 years	**26,040**	27,243
Between 6 and 10 years	**28,603**	30,051
Over 10 years	**66,211**	71,945
Total expected payments	**127,749**	136,418

The average duration of the post-retirement benefit obligations at the end of 2023 was 10.32 years (2022: 10.30 years).

29. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	RMB'000
1 January 2023	**92,103**
Pension cost charged to profit or loss:	
Past service cost	**2,102**
Net interest	**2,760**
Sub-total included in profit or loss	**4,862**
Remeasurement profits in other comprehensive income:	
Changes of the financial assumptions	**2,733**
Experience adjustments	**(2,539)**
Sub-total included in other comprehensive income	**194**
Benefits settled	**(7,318)**
31 December 2023	**89,841**

	RMB'000
1 January 2022	95,959
Pension cost charged to profit or loss:	
Past service cost	1,537
Net interest	3,061
Sub-total included in profit or loss	4,598
Remeasurement profits in other comprehensive income:	
Changes of the financial assumptions	1,946
Experience adjustments	(3,317)
Sub-total included in other comprehensive income	(1,371)
Benefits settled	(7,083)
31 December 2022	92,103

30. SHARE CAPITAL

	2023 **RMB'000**	2022 RMB'000
Issued and fully paid:		
1,891,539,661 (2022: 1,891,539,661) ordinary shares	**5,297,254**	5,297,254

31. RESERVES

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

Capital reserve

The capital reserve mainly comprised: (i) the share-based compensation reserve comprising the fair value of the shares awarded under the share transfer to the management of the Group recognised in accordance with the accounting policy adopted for equity compensation benefits, (ii) the excess/deficiency of the carrying amount of net assets over the purchase consideration for subsidiaries acquired under common control, and (iii) the excess/deficiency of the considerations paid for/received from over the changes in the carrying amounts of non-controlling interests in the acquisitions of further interests in subsidiaries or disposal of partial interests in subsidiaries, respectively.

Statutory reserve

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

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

31. RESERVES (CONTINUED)

Exchange fluctuation reserve

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

Share-based compensation reserve

The share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payments under the Share Option Scheme for share options which are yet to be exercised. The amount will either be transferred to the share capital account or shares held for the share award scheme when the related share options are exercised or awards are vested.

General and regulatory reserve

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

Special reserve

The special reserve mainly represents the funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiary, Yangquan Medical Oxygen Factory, set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders.

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

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

	2023	2022
Percentage of equity interest held by non-controlling interest:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	**49.00%**	49.00%
Genertec Ansteel Hospital Management Co., Ltd.	**48.85%**	48.85%

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

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

	2023 **RMB'000**	2022 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	**15,147**	(5,308)
Genertec Ansteel Hospital Management Co., Ltd.	**32,661**	27,745
Accumulated balances of non-controlling interests at the reporting dates:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	**675,280**	660,072
Genertec Ansteel Hospital Management Co., Ltd.	**597,150**	568,241

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2023	**Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.** **RMB'000**	**Genertec Ansteel Hospital Management Co., Ltd.** **RMB'000**
Revenue	**898,661**	**915,157**
Total expenses	**867,750**	**849,839**
Profit for the year	**30,911**	**65,318**
Total comprehensive income for the year	**30,911**	**65,123**
Current assets	**1,240,021**	**759,581**
Non-current assets	**620,134**	**770,835**
Current liabilities	**(473,829)**	**(211,365)**
Non-current liabilities	**(8,205)**	**(95,220)**
Net cash flows from operating activities	**35,072**	**92,787**
Net cash flows used in investing activities	**(8,545)**	**(94,773)**
Net cash flows used in financing activities	**–**	**(948)**
Net increase/(decrease) in cash and cash equivalents	**26,527**	**(2,934)**

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations: (continued)

2022	Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd. RMB'000	Genertec Ansteel Hospital Management Co., Ltd. RMB'000
Revenue	845,556	816,308
Total expenses	856,389	760,340
(Loss)/profit for the year	(10,833)	55,968
Total comprehensive (loss)/income for the year	(10,833)	57,339
Current assets	1,183,693	705,778
Non-current assets	663,141	760,493
Current liabilities	(494,478)	(211,559)
Non-current liabilities	(5,269)	(93,096)
Net cash flows from operating activities	16,451	32,707
Net cash flows used in investing activities	(14,598)	(55,331)
Net cash flows from financing activities	–	23,934
Net increase in cash and cash equivalents	1,853	1,310

33. BUSINESS COMBINATIONS

(a) BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in note 2.1, the Beijing Zhongxing Hospital Acquisition and the Acquisition of the target hospitals have been accounted for based on the principles of merger accounting. Accordingly, the assets and liabilities of Beijing Zhongxing Hospital, No. 408 Hospital, Luoyang Hechai Hospital, Luoyang Yikangyuan Elderly Care Co., Ltd., Chongqing Dadukou Changzheng Hospital Co., Ltd., Beijing Guotong Huankang Hospital Management Co., Ltd. and Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station acquired by the Group have been accounted for at historical cost and the consolidated financial statements of the Group for the year prior to the combination have been restated to include the financial position and results of operations of Beijing Zhongxing Hospital, No. 408 Hospital, Luoyang Hechai Hospital, Luoyang Yikangyuan Elderly Care Co., Ltd., Chongqing Dadukou Changzheng Hospital Co., Ltd., Beijing Guotong Huankang Hospital Management Co., Ltd. and Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station on a combined basis. The details of the restated balances are stated below.

33. BUSINESS COMBINATIONS (CONTINUED)

(a) BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 December 2021 and 2022 are as follows:

As at 31 December 2021

	The Group, as previously reported RMB'000	Beijing Zhongxing Hospital RMB'000	No. 408 Hospital RMB'000	Luoyang Hechai Hospital RMB'000	Luoyang Yikangyuan Elderly Care Co., Ltd. RMB'000	Chongqing Dadukou Changzheng Hospital Co., Ltd. RMB'000	Beijing Guotong Huankang Hospital Management Co., Ltd. RMB'000	Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
NON-CURRENT ASSETS										
Property, plant and equipment	2,523,269	4,255	–	–	–	5,030	6,321	585	–	2,539,460
Right-of-use assets	794,652	–	–	–	–	264	–	–	–	794,916
Loans and accounts receivables	39,518,628	–	–	–	–	–	–	–	–	39,518,628
Prepayments, other receivables and other assets	507,316	–	–	–	–	–	–	194	–	507,510
Goodwill	102,253	–	–	–	–	–	–	–	–	102,253
Deferred tax assets	561,184	–	–	–	–	–	9	–	–	561,193
Financial assets at fair value through profit or loss	366,470	–	–	–	–	–	–	–	–	366,470
Derivative financial instruments	6,915	–	–	–	–	–	–	–	–	6,915
Investment in a joint venture	476,015	–	–	–	–	–	–	–	–	476,015
Investments in associates	4,284	–	–	–	–	–	–	–	–	4,284
Other intangible assets	46,183	–	–	–	–	–	–	–	–	46,183
Total non-current assets	44,907,169	4,255	–	–	–	5,294	6,330	779	–	44,923,827

33. BUSINESS COMBINATIONS (CONTINUED)

(a) BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

As at 31 December 2021 (continued)

	The Group, as previously reported RMB'000	Beijing Zhongxing Hospital RMB'000	No. 408 Hospital RMB'000	Luoyang Hechai Hospital RMB'000	Luoyang Yikangyuan Elderly Care Co., Ltd. RMB'000	Chongqing Dadukou Changzheng Hospital Co., Ltd. RMB'000	Beijing Guotong Huankang Hospital Management Co., Ltd. RMB'000	Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
CURRENT ASSETS										
Inventories	265,427	378	–	–	–	595	4,140	1,738	–	272,278
Loans and accounts receivables	21,046,689	–	–	–	–	433	2,217	–	–	21,049,339
Prepayments, other receivables and other assets	383,576	20	–	–	–	144	236	1,507	(16,419)	369,064
Restricted deposits	954,862	–	–	–	–	–	–	–	–	954,862
Cash and cash equivalents	2,342,078	9,812	–	–	–	11,826	16,760	15,862	–	2,396,338
Total current assets	24,992,632	10,210	–	–	–	12,998	23,353	19,107	(16,419)	25,041,881
CURRENT LIABILITIES										
Trade and bills payables	1,111,983	–	–	–	–	967	12,026	15,404	–	1,140,380
Other payables and accruals	2,417,318	9,124	–	–	–	2,368	16,373	19,916	(16,419)	2,448,680
Interest-bearing bank and other borrowings	14,745,821	–	–	–	–	–	–	–	–	14,745,821
Derivative financial instruments	346,569	–	–	–	–	–	–	–	–	346,569
Tax payable	109,608	–	–	–	–	–	–	–	–	109,608
Total current liabilities	18,731,299	9,124	–	–	–	3,335	28,399	35,320	(16,419)	18,791,058

33. BUSINESS COMBINATIONS (CONTINUED)

(a) BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

As at 31 December 2021 (continued)

	The Group, as previously reported RMB'000	Beijing Zhongxing Hospital RMB'000	No. 408 Hospital RMB'000	Luoyang Hechai Hospital RMB'000	Luoyang Yikangyuan Elderly Care Co., Ltd. RMB'000	Chongqing Dadukou Changzheng Hospital Co., Ltd. RMB'000	Beijing Guotong Huankang Hospital Management Co., Ltd. RMB'000	Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
NET CURRENT ASSETS	6,261,333	1,086	–	–	–	9,663	(5,046)	(16,213)	–	6,250,823
TOTAL ASSETS LESS CURRENT LIABILITIES	51,168,502	5,341	–	–	–	14,957	1,284	(15,434)	–	51,174,650
NON-CURRENT LIABILITIES										
Convertible bonds – host debts	882,689	–	–	–	–	–	–	–	–	882,689
Interest-bearing bank and other borrowings	28,544,061	–	–	–	–	–	–	–	–	28,544,061
Other payables and accruals	3,653,649	–	–	–	–	2,000	–	–	–	3,655,649
Other non-current liabilities	257,200	–	–	–	–	–	–	–	–	257,200
Derivative financial instruments	207,648	–	–	–	–	–	–	–	–	207,648
Total non-current liabilities	33,545,247	–	–	–	–	2,000	–	–	–	33,547,247
Net assets	17,623,255	5,341	–	–	–	12,957	1,284	(15,434)	–	17,627,403

33. BUSINESS COMBINATIONS (CONTINUED)

(a) BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

As at 31 December 2021 (continued)

	The Group, as previously reported RMB'000	Beijing Zhongxing Hospital RMB'000	No. 408 Hospital RMB'000	Luoyang Hechai Hospital RMB'000	Luoyang Yikangyuan Elderly Care Co., Ltd. RMB'000	Chongqing Dadukou Changzheng Hospital Co., Ltd. RMB'000	Beijing Guotong Huankang Hospital Management Co., Ltd. RMB'000	Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
EQUITY										
Equity attributable to the owners of the parent										
Share capital	5,297,254	5,341	–	–	–	8,000	–	50	(13,391)	5,297,254
Equity component of convertible bonds	75,486	–	–	–	–	–	–	–	–	75,486
Reserves	7,731,249	–	–	–	–	4,957	1,284	(15,484)	8,050	7,730,056
	13,103,989	5,341	–	–	–	12,957	1,284	(15,434)	(5,341)	13,102,796
Other equity instruments	1,661,840	–	–	–	–	–	–	–	–	1,661,840
Non-controlling interests	2,857,426	–	–	–	–	–	–	–	5,341	2,862,767
Total equity	17,623,255	5,341	–	–	–	12,957	1,284	(15,434)	–	17,627,403

33. BUSINESS COMBINATIONS (CONTINUED)

(a) BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

As at 31 December 2022

	The Group, as previously reported RMB'000	Beijing Zhongxing Hospital RMB'000	No. 408 Hospital RMB'000	Luoyang Hechai Hospital RMB'000	Luoyang Yikangyuan Elderly Care Co., Ltd. RMB'000	Chongqing Dadukou Changzheng Hospital Co., Ltd. RMB'000	Beijing Guotong Huankang Hospital Management Co., Ltd. RMB'000	Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
NON-CURRENT ASSETS										
Property, plant and equipment	3,780,646	3,535	5,526	6,953	1,064	9,303	6,813	6,459	–	3,820,299
Right-of-use assets	1,154,545	–	–	–	–	249	–	–	–	1,154,794
Loans and accounts receivables	41,404,185	–	–	–	–	–	–	–	–	41,404,185
Prepayments, other receivables and other assets	654,520	–	–	–	–	14	–	428	–	654,962
Goodwill	102,253	–	–	–	–	–	–	–	–	102,253
Deferred tax assets	743,021	–	–	–	–	–	(470)	–	–	742,551
Financial assets at fair value through profit or loss	245,987	–	–	–	–	–	–	–	–	245,987
Derivative financial instruments	100,544	–	–	–	–	–	–	–	–	100,544
Investment in a joint venture	486,195	–	–	–	–	–	–	–	–	486,195
Investments in associates	28,769	–	–	–	–	–	–	–	–	28,769
Other intangible assets	79,173	–	–	–	–	–	–	–	–	79,173
Total non-current assets	48,779,838	3,535	5,526	6,953	1,064	9,566	6,343	6,887	–	48,819,712

33. BUSINESS COMBINATIONS (CONTINUED)

(a) BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

As at 31 December 2022 (continued)

	The Group, as previously reported RMB'000	Beijing Zhongxing Hospital RMB'000	No. 408 Hospital RMB'000	Luoyang Hechai Hospital RMB'000	Luoyang Yikangyuan Elderly Care Co., Ltd. RMB'000	Chongqing Dadukou Changzheng Hospital Co., Ltd. RMB'000	Beijing Guotong Huankang Hospital Management Co., Ltd. RMB'000	Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
CURRENT ASSETS										
Inventories	375,728	331	754	1,311	–	661	6,814	2,453	–	388,052
Loans and accounts receivables	23,457,292	–	11,744	450	–	1,301	6,046	1,848	(28)	23,478,653
Prepayments, other receivables and other assets	668,574	8,832	769	4,782	7	13,245	457	122	(18,132)	678,656
Derivative financial instruments	131,610	–	–	–	–	–	–	–	–	131,610
Restricted deposits	778,303	–	–	–	–	–	–	–	–	778,303
Cash and cash equivalents	2,679,426	433	11,762	317	1,558	616	5,883	5,347	–	2,705,342
Total current assets	28,090,933	9,596	25,029	6,860	1,565	15,823	19,200	9,770	(18,160)	28,160,616
CURRENT LIABILITIES										
Trade and bills payables	2,247,218	–	7,657	6,281	1	2,255	13,627	17,413	(28)	2,294,424
Other payables and accruals	3,206,851	5,586	14,081	1,751	3,005	3,817	8,899	17,673	(18,132)	3,243,531
Interest-bearing bank and other borrowings	20,802,790	–	–	–	–	–	–	–	–	20,802,790
Derivative financial instruments	37,494	–	–	–	–	–	–	–	–	37,494
Tax payable	84,006	4	–	–	–	–	87	–	–	84,097
Total current liabilities	26,378,359	5,590	21,738	8,032	3,006	6,072	22,613	35,086	(18,160)	26,462,336

33. BUSINESS COMBINATIONS (CONTINUED)

(a) BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

As at 31 December 2022 (continued)

	The Group, as previously reported RMB'000	Beijing Zhongxing Hospital RMB'000	No. 408 Hospital RMB'000	Luoyang Hechai Hospital RMB'000	Luoyang Yikangyuan Elderly Care Co., Ltd. RMB'000	Chongqing Dadukou Changzheng Hospital Co., Ltd. RMB'000	Beijing Guotong Huankang Hospital Management Co., Ltd. RMB'000	Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
NET CURRENT ASSETS	1,712,574	4,006	3,291	(1,172)	(1,441)	9,751	(3,413)	(25,316)	–	1,698,280
TOTAL ASSETS LESS CURRENT LIABILITIES	50,492,412	7,541	8,817	5,781	(377)	19,317	2,930	(18,429)	–	50,517,992
NON-CURRENT LIABILITIES										
Convertible bonds – host debts	982,982	–	–	–	–	–	–	–	–	982,982
Interest-bearing bank and other borrowings	25,125,611	–	–	–	–	–	–	–	–	25,125,611
Other payables and accruals	4,316,530	–	–	–	1,500	5,288	984	–	–	4,324,302
Other non-current liabilities	280,968	–	–	–	–	–	–	–	–	280,968
Derivative financial instruments	83,308	–	–	–	–	–	–	–	–	83,308
Total non-current liabilities	30,789,399	–	–	–	1,500	5,288	984	–	–	30,797,171
Net assets	19,703,013	7,541	8,817	5,781	(1,877)	14,029	1,946	(18,429)	–	19,720,821

33. BUSINESS COMBINATIONS (CONTINUED)

(a) BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

As at 31 December 2022 (continued)

	The Group, as previously reported RMB'000	Beijing Zhongxing Hospital RMB'000	No. 408 Hospital RMB'000	Luoyang Hechai Hospital RMB'000	Luoyang Yikangyuan Elderly Care Co., Ltd. RMB'000	Chongqing Dadukou Changzheng Hospital Co., Ltd. RMB'000	Beijing Guotong Huankang Hospital Management Co., Ltd. RMB'000	Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
EQUITY										
Equity attributable to the owners of the parent										
Share capital	5,297,254	7,541	–	–	300	8,000	–	50	(15,891)	5,297,254
Equity component of convertible bonds	75,486	–	–	–	–	–	–	–	–	75,486
Reserves	8,597,375	–	8,817	5,781	(2,177)	6,029	1,946	(18,479)	8,350	8,607,642
	13,970,115	7,541	8,817	5,781	(1,877)	14,029	1,946	(18,429)	(7,541)	13,980,382
Other equity instruments	1,660,414	–	–	–	–	–	–	–	–	1,660,414
Non-controlling interests	4,072,484	–	–	–	–	–	–	–	7,541	4,080,025
Total equity	19,703,013	7,541	8,817	5,781	(1,877)	14,029	1,946	(18,429)	–	19,720,821

33. BUSINESS COMBINATIONS (CONTINUED)

(a) BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

The reconciliation of the effect, arising from the common control combination on the consolidated statements of profit or loss for the year ended 31 December 2022 are as follows:

For the year ended 31 December 2022

	The Group, as previously reported RMB'000	Beijing Zhongxing Hospital RMB'000	No. 408 Hospital RMB'000	Luoyang Hechai Hospital RMB'000	Luoyang Yikangyuan Elderly Care Co., Ltd. RMB'000	Chongqing Dadukou Changzheng Hospital Co., Ltd. RMB'000	Beijing Guotong Huankang Hospital Management Co., Ltd. RMB'000	Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
REVENUE	11,912,140	22,229	16,398	3,522	1,263	18,106	64,003	35,579	(68)	12,073,172
Cost of sales	(7,426,151)	(22,214)	(17,214)	(5,299)	(1,691)	(12,676)	(56,755)	(36,946)	68	(7,578,878)
Gross profit	4,485,989	15	(816)	(1,777)	(428)	5,430	7,248	(1,367)	–	4,494,294
Other income and gains	442,722	72	442	1,252	2	240	117	35	–	444,882
Selling and distribution costs	(441,603)	–	–	–	–	–	–	–	–	(441,603)
Administrative expenses	(899,168)	–	(2,442)	(273)	(90)	(4,521)	(6,077)	(1,426)	–	(913,997)
Impairment losses on financial assets, net	(311,012)	–	2,711	1,105	(1)	(47)	(6)	111	–	(307,139)
Loss on derecognition of financial assets measured at amortised cost	(1,154)	–	–	–	–	–	–	–	–	(1,154)
Other expenses	(549,631)	(70)	(12)	(8)	–	(30)	(53)	(22)	–	(549,826)
Finance costs	(35,319)	–	–	–	–	–	–	(326)	–	(35,645)
Share of profits of:										
A joint venture	13,450	–	–	–	–	–	–	–	–	13,450
Associates	12	–	–	–	–	–	–	–	–	12
PROFIT/(LOSS) BEFORE TAX	2,704,286	17	(117)	299	(517)	1,072	1,229	(2,995)	–	2,703,274
Income tax expense	(616,759)	–	–	–	–	–	(567)	–	–	(617,326)
PROFIT/(LOSS) FOR THE YEAR	2,087,527	17	(117)	299	(517)	1,072	662	(2,995)	–	2,085,948
Attributable to:										
Owners of the parent	1,890,012	17	(117)	299	(517)	1,072	662	(2,995)	(16)	1,888,417
Non-controlling interests	126,112	–	–	–	–	–	–	–	16	126,128
Other equity instruments	71,403	–	–	–	–	–	–	–	–	71,403
	2,087,527	17	(117)	299	(517)	1,072	662	(2,995)	–	2,085,948

33. BUSINESS COMBINATIONS (CONTINUED)

(b) BUSINESS COMBINATION NOT UNDER COMMON CONTROL

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

On 1 July 2023, Universal Yuegu Medical Technology (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 60% equity interest in Beth Hesda (Chengdu) Nephrology Hospital Co,. Ltd. at a consideration of RMB39,613,000.

On 1 August 2023, Universal Yuegu Medical Technology (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 100% equity interest in Haiyang Senzhikang Hospital Co., Ltd. at a consideration of RMB7,561,000.

On 30 September 2023, Genertec Universal Medical Technology Services (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group, acquired an 85% equity interest in Casstar Medical Technology Wuxi Co., Ltd. at a consideration of RMB467,499,000.

33. BUSINESS COMBINATIONS (CONTINUED)

(b) BUSINESS COMBINATION NOT UNDER COMMON CONTROL (continued)

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

	Fair value recognised on acquisition RMB'000
Assets	
Property, plant and equipment (Note 12)	71,532
Right-of-use assets (Note 13(a))	14,856
Deferred tax assets	1,500
Equity investments designated at fair value through other comprehensive income	2,778
Cash and cash equivalents	128,372
Loans and accounts receivables	120,176
Debt investments at fair value through other comprehensive income	338
Prepayments, other receivables and other assets	38,264
Receivable of consideration to be paid as capital injection	39,613
Inventories	92,357
Restricted deposits	5,437
Other intangible assets	6,248
Total assets	521,471
Liabilities	
Trade and bills payables	42,758
Other payables and accruals	35,211
Interest-bearing bank loan	15,000
Lease liabilities	14,137
Tax payable	4,222
Deferred tax liabilities	2,753
Total liabilities	114,081
Total identifiable net assets at fair value	407,390
Non-controlling interests	(77,002)
Goodwill on acquisition	184,285

33. BUSINESS COMBINATIONS (CONTINUED)

(b) BUSINESS COMBINATION NOT UNDER COMMON CONTROL (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: (continued)

	RMB'000
Purchase consideration transferred	
Including:	
Consideration paid as additional capital injection to the subsidiaries after acquisition	4,000
Consideration unpaid as additional capital injection to the subsidiaries after acquisition	35,613
Consideration paid upon acquisition	421,360
Consideration to be paid after acquisition	53,700
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiaries included in cash flows from investing activities	128,372
Cash paid	(421,360)
Net outflow of cash and cash equivalents include in cash flows from investing activities	(292,988)
Transaction costs of the acquisition included in cash flows from operating activities	(370)

If the acquisition had taken place at the beginning of the year, the revenue of the Group for the year would have been RMB13,884,781,000 and the net profit of the Group for the year would have been RMB2,224,563,000.

The fair values of the loans and accounts receivables and prepayments, other receivables and other assets as at the dates of acquisitions amounted to RMB120,176,000 and RMB38,284,000, respectively. The gross contractual amount of loans and accounts receivables was RMB125,647,000, of which RMB5,471,000 was expected to be uncollectible. The gross contractual amount of prepayments, other receivables and other assets was RMB38,550,000, of which RMB286,000 was expected to be uncollectible.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining their assets and activities with those of the Group. The goodwill is not deductible for income tax purposes.

The Group incurred transaction costs of RMB370,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB33,357,000 (2022: RMB193,148,000) and RMB33,357,000 (2022: RMB193,148,000), respectively, in respect of lease arrangements for property.

(b) Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	Bonds RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000	Convertible bonds RMB'000
At 1 January 2023	24,280,248	16,565,306	989,927	4,092,920	982,982
Proceeds from new borrowings	26,718,710	16,263,030	1,450,000	2,529,199	–
Increase arising from acquisition of subsidiaries	15,000	–	14,137	–	–
New leases	–	–	33,357	–	–
Foreign exchange movement	61,324	–	–	23,383	16,778
Repayment of borrowings	(24,707,477)	(17,396,500)	(2,166,796)	(2,200,000)	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	5,390	–	–
Interest expense	47,510	7,028	62,913	237	40,774
Interest paid	–	–	(58,765)	–	(21,015)
At 31 December 2023	26,415,315	15,438,864	330,163	4,445,739	1,019,519

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

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

	Bank and other loans RMB'000	Bonds RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000	Convertible bonds RMB'000
At 1 January 2022	24,307,281	14,807,554	1,899,907	2,275,140	882,689
Proceeds from new borrowings	16,223,371	14,332,420	–	2,400,000	–
Increase arising from acquisition of subsidiaries	–	–	8,549	–	–
New leases	–	–	193,148	–	–
Foreign exchange movement	1,284,914	–	–	116,545	82,295
Repayment of borrowings	(17,621,902)	(12,583,500)	(1,127,872)	(700,000)	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	4,623	–	–
Interest expense	86,584	8,832	63,791	1,235	37,979
Interest paid	–	–	(52,219)	–	(19,981)
At 31 December 2022	24,280,248	16,565,306	989,927	4,092,920	982,982

(c) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000 (restated)
Within operating activities	**35,836**	10,926
Within financing activities	**2,225,561**	1,180,091
	2,261,397	1,191,017

35. OTHER NON-CURRENT LIABILITIES

	2023	2022
	RMB'000	RMB'000
Continuing involvement in transferred assets	**309,499**	280,968

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 20, 22 and 26 to the financial statements.

37. COMMITMENTS

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

(a) Capital commitments

	2023	2022
	RMB'000	RMB'000
		(restated)
Contracted, but not provided for	**864,754**	1,690,434

(b) Credit commitments

	2023	2022
	RMB'000	RMB'000
Credit commitments	**2,069,000**	2,530,000

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

38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 20, 21, 22, 24, 25 and 26 to the financial statements, the Group had the following material transactions with related parties during the year.

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

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

The companies under Genertec Group which had transactions with the Group during the year are subsidiaries of Genertec Group.

(i) Interest income from cash at banks:

	2023 **RMB'000**	2022 RMB'000 (restated)
Genertec Finance Co., Ltd.	**11,178**	14,399

The interest was charged at rates ranging from 0.55% to 1.55% (2022: 0.55% to 1.65%) per annum.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(ii) Purchases of goods from related parties:

	2023 RMB'000	2022 RMB'000 (restated)
China Xinxing Construction Engineering Co., Ltd.	**231,121**	99,025
China Meheco Beijing Baitai-Borui Technology Co., Ltd.	**74,919**	580
Instrimpex International Tendering Co., Ltd.	**5,879**	2,589
Handan General Pharmaceutical Co., Ltd.	**4,462**	–
China Telecommunication Construction No.5 Engineering Co., Ltd.	**2,759**	1,232
Genertec Group Beijing Yongzheng Pharmaceutical Co., Ltd.	**709**	–
Genertec Group Digital Intelligent Technology Co., Ltd.	**627**	–
Genertec Group Engineering Design Co., Ltd.	**219**	–
Beijing Xingjia Construction Engineering Co., Ltd.	**62**	–
Genertec Italia s.r.l.	**–**	3,168
Genertec Europe Temax GmbH.	**–**	560
China National Instruments Import & Export (Group) Corporation	**–**	69

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

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iii) Rental as a lessee:

	2023 RMB'000 (rental payment)	2022 RMB'000 (rental payment)
Paryocean Properties Co., Ltd.	**712**	1,247
China National Instruments Import & Export (Group) Corporation	**–**	203

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

(iv) Interest expenses:

	2023 RMB'000	2022 RMB'000
Genertec Hong Kong International Capital Limited	**122,943**	79,723
China General Technology (Group) Holding Company Limited	**75,149**	3,884
Genertec Finance Co., Ltd.	**210**	–

The interest expenses were charged at rates ranging from 2.85% to 6.81% (2022: 3.80% to 5.31%) per annum.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(v) Consulting service fees:

	2023 **RMB'000**	2022 RMB'000
China International Advertising Co., Ltd.	**426**	–
Aerospace Medical & Healthcare Technology Group Co., Ltd.	**94**	–
China General Consulting & Investment Co., Ltd.	**19**	–
China General Technology (Group) Holding Company Limited	**11**	4
Genertec Advanced Materials Group Co., Ltd.	**2**	–
China National Instruments Import & Export (Group) Corporation	**–**	156
Genertec (UK) Limited	**–**	92
China International Postal and Telecommunications Exhibition and Advertisement Co., Ltd.	**–**	38
Instrimpex International Tendering Co., Ltd.	**–**	30
China International Tendering Co., Ltd.	**–**	20
China Meheco Beijing Baitai-Borui Technology Co., Ltd.	**–**	9

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

38. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(vi) Sales of goods to related parties and service income:

	2023 RMB'000	2022 RMB'000 (restated)
Shanghai Electric Power Hospital	**20,653**	–
Shenyang Aerospace Hospital	**9,525**	–
Genertec Group Beijing Yongzheng Pharmaceutical Co., Ltd.	**1,166**	–
China Meheco Beijing Baitai-Borui Technology Co., Ltd.	**51**	48
China General Technology (Group) Holding Company Limited	**–**	1,443

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

(vii) Capital commitments:

	2023 RMB'000	2022 RMB'000
China Xinxing Construction Engineering Co., Ltd.	**51,787**	199,652
China XinXing Construction & Development Co., Ltd.	**3,964**	–
Genertec Group Engineering Design Co., Ltd.	**1,164**	–
Beijing Xingjia Construction Engineering Co., Ltd.	**203**	–

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

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with other government-related entities

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

During the year, the Group's significant transactions with other government-related entities constituted a large portion of the finance lease services and advisory services. In addition, substantially all restricted cash, time deposits, cash and cash equivalents and borrowings as at 31 December 2023 and 2022 and the relevant interest earned and paid during the years were transacted with banks and other financial institutions which are controlled by the PRC government.

(c) Transactions 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 the subscription of the guaranteed convertible bonds in an aggregate principal amount of USD150,000,000 on 25 March 2021. As at 31 December 2023, the principal amount of the convertible bonds was USD150,000,000 (As at 31 December 2022: USD150,000,000). The interest payment was RMB21,015,000 during the year ended 31 December 2023 (2022: RMB19,981,000).

(d) Transactions with a joint venture and subsidiary of joint venture:

(i) Interest expense:

	2023 RMB'000	2022 RMB'000
Sichuan Huankang Hospital Management Co., Ltd.	**7,347**	14,522
Sichuan Zhongqi Healthcare Industry Co., Ltd.	**241**	–

The interest expenses were charged at a rate of 3.20% per annum (2022: 3.20%).

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with a joint venture and subsidiary of joint venture: (continued)

(ii) Consulting service fees:

	2023 RMB'000	2022 RMB'000
Sichuan Huankang Hospital Management Co., Ltd.	–	2

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

(e) Transactions with an associate

(i) Interest expense:

	2023 RMB'000	2022 RMB'000
Genertec Group Healthcare Digital Technology (Beijing) Co., Ltd.	**2,501**	–

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

(ii) Service income:

	2023 RMB'000	2022 RMB'000
Genertec Group Healthcare Digital Technology (Beijing) Co., Ltd.	**3,783**	–

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

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Transactions with an associate (continued)

(iii) Purchases of goods:

	2023 RMB'000	2022 RMB'000
Genertec Group Healthcare Digital Technology (Beijing) Co., Ltd.	**2,839**	–

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

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

(f) Compensation of key management personnel:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**21,187**	25,933

39. SHARE OPTION SCHEME

Pursuant to a resolution in writing passed on 31 December 2019 by the shareholders of the Company, a share option scheme (the "Share Option Scheme") has been adopted by the Company.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants and certain qualified participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include senior and middle management personnel, as well as other key employees of the Company or any other subsidiary (the "Grantees"). The total number of new shares in respect of which options may be granted under the Share Option Scheme is 16,065,000 shares, which is 0.94% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the shareholders at the General Meeting. The Share Option Scheme will be valid for not more than 5 years from the date of its adoption.

The offer of a grant of share options ("Share Options") may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HKD1 in total by the Grantees subject to any early termination, the Share Option Scheme will remain in force for a period of 5 years commencing on the date on which the Share Option Scheme is approved by the shareholders of the Company. The vesting of the Share Options is mainly subject to fulfilment of the Company's performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations.

The exercise price in respect of any option shall be such price as determined by the Board or the Administration Committee of the Share Option Scheme and notified to the Grantees and which shall not be less than the highest of: (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the shares as at the offer date. The exercise price of the Share Options is subject to adjustment in the case of rights or other similar changes in the Company's share capital.

On 31 December 2019, the Board announced that, the Company has resolved the offer to grant Share Options to the Grantees under the Share Option Scheme to subscribe for a total of 16,065,000 ordinary shares in the capital of the Company, including 991,000 reserved options. On 31 December 2021, the reserved options were expired.

On 31 December 2023, one third of the options granted were expired due to the expiry of exercise period, and one third of the options granted were cancelled due to the unfulfilled certain conditions pursuant to the Share Option Scheme.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Share Option Scheme as an equity-settled plan.

39. SHARE OPTION SCHEME (CONTINUED)

Movements in the number of the Share Options outstanding and their related weighted average exercise prices granted under the Share Option Scheme during the year are as follows:

Exercise price per share option (HKD)	Date of grant	Outstanding as at 1 January 2023	Granted during the year	Expired during the year	Forfeited during the year	Outstanding as at 31 December 2023
5.97	2019/12/31	8,136,004	–	(3,576,330)	(4,559,674)	–

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2023 was nil (2022: RMB9,117,000). The weighted average fair values were HKD1.12, HKD1.22 and HKD1.28 per option for each of the three tranches with two-year, three-year and four-year vesting periods, respectively. The share option expense recognised was RMB1,059,000 (2022: RMB442,000) during the year ended 31 December 2023 in employee benefit expense.

The fair values of the Share Options were estimated as at their respective dates of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model used:

Expected dividend yield (%)	4.61
Expected volatility (%)	30.62
Risk-free interest rate (%)	1.70
Validity period of the Share Options (year)	5
Share price (HKD per share)	5.97
Expected exercise trigger multiple	2

Estimation of the value of the Share Options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair values of the Share Options granted in the year were incorporated into such measurement.

At 31 December 2023, the Company had no (31 December 2022: 8,136,004) non-vested Share Options (including nil (31 December 2022: 1,762,666) non-vested Share Options granted to certain executive directors, nil (31 December 2022: 2,546,000) non-vested Share Options granted to certain employees among the five highest paid employees and nil (31 December 2022: 3,064,000) non-vested Share Options granted to certain key management personnel) outstanding under the Share Option Scheme.

At the date of approval of these financial statements, the Company had no (2022: 8,136,004) Share Options outstanding under the Share Option Scheme.

40. OTHER EQUITY INSTRUMENTS

China Universal Leasing Co., Ltd. ("China Universal Leasing"), a wholly-owned subsidiary of the Group, issued the first tranche of the bonds (the "2021 T1 Bonds") of the renewable corporate bond with a total principal amount of RMB500,000,000, with a basic term of two years from 28 June 2021. The 2021 T1 Bonds are with an initial distribution rate of 5.1% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the 2021 T1 Bonds. The 2021 T1 Bonds have been fully redeemed on 29 June 2023.

China Universal Leasing issued the second tranche of the bonds (the "2021 T2 Bonds") of the renewable corporate bond with a total principal amount of RMB670,000,000, with a basic term of two years from 25 October 2021. The 2021 T2 Bonds are with an initial distribution rate of 4.83% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the 2021 T2 Bonds. The 2021 T2 Bonds have been fully redeemed on 25 October 2023.

China Universal Leasing issued the first tranche of the bonds (the "2022 T1 Bonds") of the renewable corporate bond with a total principal amount of RMB480,000,000, with a basic term of one year from 22 December 2022. The 2022 T1 Bonds are with an initial distribution rate of 5.00% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the 2022 T1 Bonds. The 2022 T1 Bonds have been fully redeemed on 22 December 2023.

China Universal Leasing issued the first tranche of the bonds (the "2023 T1 Bonds") of the renewable corporate bond with a total principal amount of RMB300,000,000, with a basic term of two years from 27 March 2023. The 2023 T1 Bonds are with an initial distribution rate of 4.80% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the 2023 T1 Bonds.

China Universal Leasing issued the second tranche of the bonds (the "2023 T2 Bonds") of the renewable corporate bond with a total principal amount of RMB600,000,000, with a basic term of two years from 29 June 2023. The 2023 T2 Bonds are with an initial distribution rate of 4.30% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the 2023 T2 Bonds.

China Universal Leasing issued the third tranche of the bonds (the "2023 T3 Bonds") of the renewable corporate bond with a total principal amount of RMB500,000,000, with a basic term of one year from 7 September 2023. The 2023 T3 Bonds are with an initial distribution rate of 3.38% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the 2023 T3 Bonds.

40. OTHER EQUITY INSTRUMENTS (CONTINUED)

China Universal Leasing issued the first tranche of the notes (the "2023 T1 Notes") of the perpetual medium-term notes with a total principal amount of RMB250,000,000, with a basic term of two years from 27 December 2023. The 2023 T1 Notes are with an initial distribution rate of 3.75% per annum. The issue price is RMB100 per note, which is equal to 100% of the principal value of the 2023 T1 Notes.

China Universal Leasing is entitled, at the end of the agreed basic term and each extended period, to an option to extend the term of the bonds. Distributions of the renewable bonds may be paid annually and may be deferred at the discretion of China Universal Leasing unless a compulsory distribution payment event (including distributions to the shareholders of China Universal Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. As the Group has no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, the Group classified the renewable corporate bonds issued as equity instruments.

For the year ended 31 December 2023, the profits attributable to holders of the renewable corporate bonds based on the applicable distribution rates were RMB89,419,000 (For the year ended 31 December 2022: RMB71,403,000) and the distribution made by the Group to the holders of the renewable corporate bonds was RMB78,611,000 (For the year ended 31 December 2022: RMB72,829,000).

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

2023

	RMB'000
Financial assets	
Financial assets at amortised cost:	
Loans and accounts receivables	**67,261,890**
Financial assets included in prepayments, other receivables and other assets	**501,158**
Restricted deposits	**690,972**
Cash and cash equivalents	**2,848,973**
Financial assets at fair value through profit or loss:	
Derivative financial instruments	**101,935**
Financial assets at fair value through profit or loss	**216,641**
Financial assets at fair value through other comprehensive income:	
Debt investments at fair value through other comprehensive income	**11,415**
Equity investments designated at fair value through other comprehensive income	**2,778**
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	**162,035**
Total	**71,797,797**
Financial liabilities	
Financial liabilities at amortised cost:	
Trade and bills payables	**2,988,673**
Financial liabilities included in other payables and accruals	**6,964,972**
Convertible bonds – host debts	**1,019,519**
Interest-bearing bank and other borrowings	**46,630,081**
Financial liabilities at fair value through profit or loss:	
Derivative financial instruments	**1,284**
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	**25,324**
Total	**57,629,853**

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows: (continued)

2022

	RMB'000 (restate)
Financial assets	
Financial assets at amortised cost:	
Loans and accounts receivables	64,882,838
Financial assets included in prepayments, other receivables and other assets	403,197
Restricted deposits	778,303
Cash and cash equivalents	2,705,342
Financial assets at fair value through profit or loss:	
Derivative financial instruments	6,389
Financial assets at fair value through profit or loss	245,987
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	225,765
Total	69,247,821
Financial liabilities	
Financial liabilities at amortised cost:	
Trade and bills payables	2,294,424
Financial liabilities included in other payables and accruals	5,354,777
Convertible bonds – host debts	982,982
Interest-bearing bank and other borrowings	45,928,401
Financial liabilities at fair value through profit or loss:	
Derivative financial instruments	3,117
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	117,685
Total	54,681,386

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

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

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

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

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

Substantially all of the interest-bearing bank and other borrowings, excluding bonds issued and short-term borrowings, are on floating rate terms, bear interest at prevailing market interest rates, and their carrying values approximate to their fair values. For loans and accounts receivables with long-term remaining maturities, the applied interest rates approximate to prevailing market interest rates and their carrying values approximate to their fair value.

42. 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 are calculated based on quoted market prices or a discounted cash flow model that is used based on a current yield curve appropriate for the remaining term to maturity.

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Bonds issued	**15,438,864**	16,565,306	**15,476,733**	16,485,237
Convertible bonds – host debts	**1,019,519**	982,982	**977,325**	919,554
	16,458,383	17,548,288	**16,454,058**	17,404,791

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

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

42. 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 counterparties. The interest rate swaps are measured using valuation techniques similar to the present value calculations of the swap models, which incorporate various market observable inputs including the credit quality of the counterparty and yield curves.

Forward currency contracts

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

Cross-currency interest rate swaps

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

Financial assets at fair value through profit or loss

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

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

Financial instruments measured at fair value (continued)

Financial assets at fair value through profit or loss (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023:

Description	Fair value at 31 December 2023	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Equity investments designated at fair value through other comprehensive income	**2,778**	Adjusted recent transaction price	Volatility	The higher the volatility, the higher the fair value

Fair value hierarchy

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

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

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

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

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

Fair value hierarchy (continued)

Assets and liabilities measured at fair value

As at 31 December 2023

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	216,641	–	216,641
Debt investments at fair value through other comprehensive income	–	11,415	–	11,415
Equity investments designated at fair value through other comprehensive income	–	–	2,778	2,778
Derivative financial assets				
– Forward currency contracts	–	208,513	–	208,513
– Interest rate swap contracts	–	32,935	–	32,935
– Cross-currency interest rate swaps	–	22,522	–	22,522
	–	492,026	2,778	494,804
Derivative financial liabilities				
– Forward currency contracts	–	(25,324)	–	(25,324)
– Interest rate swap contracts	–	(1,284)	–	(1,284)
	–	(26,608)	–	(26,608)

42. 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 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	245,987	–	245,987
Derivative financial assets				
– Forward currency contracts	–	146,220	–	146,220
– Interest rate swap contracts	–	62,642	–	62,642
– Cross-currency interest rate swaps	–	23,292	–	23,292
	–	478,141	–	478,141
Derivative financial liabilities				
– Forward currency contracts	–	120,802	–	120,802

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2023

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	**15,476,733**	**–**	**–**	**15,476,733**
Convertible bonds – host debts	**–**	**977,325**	**–**	**977,325**
	15,476,733	**977,325**	**–**	**16,454,058**

As at 31 December 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	16,485,237	–	–	16,485,237
Convertible bonds – host debts	–	919,554	–	919,554
	16,485,237	919,554	–	17,404,791

During the year ended 31 December 2023, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise loans and accounts receivables, trade and bills payables, interest-bearing bank and other borrowings, cash and short term deposits, and derivative financial instruments. The main purpose of interest-bearing bank and other borrowings is to finance the Group's operations while other financial assets and liabilities such as loans and accounts receivables and trade and bills payables are directly related to the Group’s operating activities.

The Group also enters into derivative transactions, including principally interest rate swap contracts, forward currency contracts, and cross-currency interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and loans and accounts receivables. The Group aims to mitigate such risks by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, to the Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

	Increase/(decrease) in profit before tax as at 31 December	
	2023	2022
	RMB'000	RMB'000
		(restate)
Change in basis points		
+100 basis points	**(98,220)**	(41,915)
– 100 basis points	**98,220**	41,915

The interest rate sensitivity set out in the table above is for illustration only and is based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities move by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency).

The Group conducts its businesses mainly in RMB, with certain transactions denominated in United States dollar, and to a lesser extent, other currencies. The Group's exposure to treasury operations mainly arises from its transactions in currencies other than RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. For example, the Group enters into cross currency interest rate swaps and forward currency contracts to mitigate the currency risk arising from variable cash flows of some of its foreign currency floating rate loans (see Note 18).

The exchange rate of RMB to the United States dollar ("USD") is managed under a floating exchange rate system. The Hong Kong dollar ("HKD") exchange rate has been pegged to USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (continued)

The table below is a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, was based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period were kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit before tax as at 31 December	
		2023	2022
	%	**RMB'000**	RMB'000
Currency			
If RMB strengthens against USD/HKD	(1)	**78**	(349)
If RMB weakens against USD/HKD	1	**(78)**	349

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with the recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the loans and accounts receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, derivative financial instruments, financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income, and financial assets included in other receivables. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Credit risk is often greater when lessees are concentrated in one single industry or geographical location or have comparable economic characteristics. Customers of the Group are diversely located in the Chinese Mainland. Lessees of the Group are from different industries as follows:

	As at 31 December 2023		As at 31 December 2022	
	RMB'000	**%**	RMB'000	%
Interest-earning assets				
Healthcare	**12,418,950**	**18**	17,346,262	27
Urban public utility	**50,106,877**	**75**	45,147,968	69
Others	**4,822,758**	**7**	2,739,601	4
	67,348,585	**100**	65,233,831	100
Less: provision for interest-earning assets	**1,884,973**		1,694,751	
Net	**65,463,612**		63,539,080	

As the customers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on the customers' creditworthiness unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs – impaired) RMB'000	Simplified approach RMB'000	Total RMB'000
Accounts receivable	–	–	–	1,756,800	1,756,800
Notes receivable*	41,478	–	–	–	41,478
Interest-earning assets	59,293,895	5,855,572	314,145	–	65,463,612
Financial assets included in prepayments, other receivables and other assets	326,653	173,210	1,295	–	501,158
Restricted deposits	690,972	–	–	–	690,972
Cash and cash equivalents	2,848,973	–	–	–	2,848,973
Total	63,201,971	6,028,782	315,440	1,756,800	71,302,993

* includes notes receivable classified as debt investments at fair value through other comprehensive income.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs – impaired) RMB'000	Simplified approach RMB'000	Total RMB'000
Accounts receivable (restated)	–	–	–	1,341,858	1,341,858
Notes receivable	1,900	–	–	–	1,900
Interest-earning assets	57,364,300	5,703,086	471,694	–	63,539,080
Financial assets included in prepayments, other receivables and other assets (restated)	346,038	50,211	6,948	–	403,197
Restricted deposits	778,303	–	–	–	778,303
Cash and cash equivalents (restated)	2,705,342	–	–	–	2,705,342
Total	61,195,883	5,753,297	478,642	1,341,858	68,769,680

Note:

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

As 31 December 2023, no assets were past due over 30 days and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

When the lease payment for a period is past due by one day as at each reporting date, the whole interest-earning assets is classified as past due.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group manages its liquidity risk through maintaining flexibility in funding by keeping sufficient available loan facilities or loan commitments provided by banks and other financial institutions, making projections of future cash flows and evaluating the appropriate net current asset/liability position, and maintaining an efficient internal fund transfer mechanism within the Group.

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows:

	As at 31 December 2023						
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Undated RMB'000	Total RMB'000
FINANCIAL ASSETS:							
Loans and accounts receivables	179,547	9,441,962	20,583,323	46,565,105	–	–	76,769,937
Financial assets included in prepayments, other receivables and other assets	74,984	1,393	517,003	135,465	–	–	728,845
Restricted deposits	–	690,972	–	–	–	–	690,972
Derivative financial assets	–	62,774	201,196	–	–	–	263,970
Financial assets at fair value through profit or loss	–	3,005	6,377	221,026	–	–	230,408
Debt investments at fair value through other comprehensive income	–	1,415	10,000	–	–	–	11,415
Equity investments designated at fair value through other comprehensive income	–	–	–	–	–	2,778	2,778
Cash and cash equivalents	2,848,973	–	–	–	–	–	2,848,973
Total financial assets	3,103,504	10,201,521	21,317,899	46,921,596	–	2,778	81,547,298
FINANCIAL LIABILITIES:							
Trade and bills payables	–	583,486	2,405,187	–	–	–	2,988,673
Financial liabilities included in other payables and accruals	107,527	943,301	2,256,273	3,912,199	–	–	7,219,300
Derivative financial liabilities	–	10,975	15,633	–	–	–	26,608
Convertible bonds – host debts	–	10,624	10,624	1,094,277	–	–	1,115,525
Interest-bearing bank and other borrowings	21	6,161,464	17,747,384	25,076,681	553,448	–	49,538,998
Total financial liabilities	107,548	7,709,850	22,435,101	30,083,157	553,448	–	60,889,104

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows: (continued)

	As at 31 December 2022 (restated)					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	232,640	8,711,525	19,033,714	46,492,059	–	74,469,938
Financial assets included in prepayments, other receivables and other assets	32,818	1,378	405,507	134,709	–	574,412
Restricted deposits	–	786,706	–	–	–	786,706
Derivative financial assets	–	712	130,898	100,544	–	232,154
Financial assets at fair value through profit or loss	–	2,960	8,118	246,712	–	257,790
Cash and cash equivalents	2,705,342	–	–	–	–	2,705,342
Total financial assets	2,970,800	9,503,281	19,578,237	46,974,024	–	79,026,342
FINANCIAL LIABILITIES:						
Trade and bills payables	558,333	–	1,736,091	–	–	2,294,424
Financial liabilities included in other payables and accruals	556,445	836,625	684,852	3,770,528	–	5,848,450
Derivative financial liabilities	–	–	37,494	83,308	–	120,802
Convertible bonds – host debts	–	10,447	10,447	1,096,925	–	1,117,819
Interest-bearing bank and other borrowings	–	4,123,947	17,829,853	26,514,449	215,228	48,683,477
Total financial liabilities	1,114,778	4,971,019	20,298,737	31,465,210	215,228	58,064,972

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's credit commitments based on contractual undiscounted cash flows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Credit commitments:		
Less than 3 months	**1,749,000**	2,530,000
3 to 12 months	**320,000**	–
Total	**2,069,000**	2,530,000

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is calculated as bank and other borrowings divided by total equity. The gearing ratios as at the end of the reporting date were as follows:

Group

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
		(restated)
Bank and other borrowings (Note 26)	**47,649,600**	46,911,383
Total equity	**20,367,958**	19,720,821
Gearing ratio	**2.34**	2.38

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

CULC and Genertec Universal International Financial Leasing (Tianjin) Co., Ltd. ("TJ-Leasing")

The primary objective of the capital management of CULC and TJ-Leasing, principal subsidiaries of the Group located in Chinese Mainland, is to ensure that they comply with the regulatory requirements of the Ministry of Commerce of the PRC (the "MOFCOM") in addition to the general requirements that are relevant to the Group. In accordance with the "Administration of Foreign Investment in the Leasing Industry" promulgated by the MOFCOM on 3 February 2005, the "Interim Measures for the Supervision and Management of Financial Leasing Companies" issued by the CBIRC on 26 May 2020 and other relevant laws and regulations, CULC and TJ-Leasing have set up appropriate business development and capital management programs and established a comprehensive evaluation system. They actively adjust the capital structure in light of changes in the market and the risks confronted by adjusting their dividend policy or financing channels. During the year, there were no significant changes in the policies or processes for managing the capital of CULC and TJ-Leasing.

In accordance with the aforementioned requirements, CULC and TJ-Leasing should maintain their risk assets ("Risk Assets") within 8 times of their equity. The Risk Assets shall be determined on the basis of the total assets less cash. The calculations of the ratios of the Risk Assets to equity as at each reporting date were as follows:

CULC

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Total assets	**55,952,206**	54,462,604
Less: Cash and cash equivalents	**(1,620,864)**	(1,266,864)
Total Risk Assets	**54,331,342**	53,195,740
Equity	**11,387,540**	11,200,978
Ratio of Risk Assets to equity	**4.77**	4.75

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

TJ-Leasing

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Total assets	**32,061,315**	28,258,246
Less: Cash and cash equivalents	**(583,796)**	(211,772)
Total Risk Assets	**31,477,519**	28,046,474
Equity	**6,377,156**	5,291,647
Ratio of Risk Assets to equity	**4.94**	5.30

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

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

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

During the year ended 31 December 2023, the Group transferred an aggregate carrying amount of RMB5,456,000,000 (2022: RMB6,801,000,000) of loans and accounts receivables to the unconsolidated structured entity, which qualified for full derecognition. Hence, the Group derecognised those assets.

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

The Group also transferred loans and accounts receivables to other unconsolidated structured entity, where the Group held some subordinated tranches and hence retained continuing involvement in the transferred assets (i.e. loans and accounts receivables amounting to RMB2,169,000,000 as at 31 December 2021). As a result, as at 31 December 2023, the balance of subordinated tranches of asset-backed securities held by the Group amounted to RMB201,049,000 (2022: RMB172,518,000). The Group provided liquidity support amounting to RMB108,450,000 (2022: RMB108,450,000) to the unconsolidated structured entity. In addition, the balances of continuing involvement in transferred assets and associated liabilities both amounted to RMB309,499,000 (2022: RMB280,968,000), which approximate the maximum exposure to losses from its involvement in such securitisation arrangement and the unconsolidated structured entity.

During the year ended 31 December 2023, as a result of the securitisation transactions, the Group recognised losses of RMB1,624,000 (2022: RMB1,154,000) from transfers of loans and accounts receivables.

45. EVENTS AFTER THE REPORTING PERIOD

On 25 March 2021, Genertec Universal Medical Development (BVI) Co., Ltd. (the "Issuer"), a wholly-owned subsidiary of the Company, issued the guaranteed convertible bonds in an aggregate principal amount of USD150,000,000 due 2026. Pursuant to the terms and conditions of the convertible bonds, each bondholder has the right to require the Company to redeem all or part of such bondholder's convertible bonds on the put option date (i.e., 25 March 2024 or 25 March 2025) at 100% of their principal amount (together with interest accrued but unpaid up to the put option date).

On 22 February 2024, the Issuer received the put option exercise notice from CCP Leasing II Limited in respect of USD60,000,000 in an aggregate principal amount of the convertible bonds ("Put Bonds"), together with the relevant interest accrued but unpaid up. Accordingly, the Issuer is required to redeem the Put Bonds on 25 March 2024.

46. COMPARATIVE AMOUNTS

Certain comparative information for 2022 and 2021 have been restated to reflect the effect of business combination under common control as detailed in Note 33(a).

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 **RMB'000**	2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**262**	320
Prepayments, other receivables and other assets	**483**	7,344,398
Investments in subsidiaries	**6,630,858**	6,579,799
Right-of-use assets	**1,623**	2,648
Derivative financial instruments	**–**	57,369
Total non-current assets	**6,633,226**	13,984,534
CURRENT ASSETS		
Prepayments, other receivables and other assets	**7,815,745**	5,030,859
Dividends receivable from a subsidiary	**665,000**	562,400
Derivative financial instruments	**93,191**	38,688
Restricted deposits	**82,864**	149,628
Cash and cash equivalents	**67,447**	190,808
Total current assets	**8,724,247**	5,972,383
CURRENT LIABILITIES		
Trade payables	**280**	91
Other payables and accruals	**34,157**	31,989
Interest-bearing bank and other borrowings	**6,160,746**	6,027,450
Derivative financial instruments	**13,793**	–
Total current liabilities	**6,208,976**	6,059,530
NET CURRENT ASSETS/(LIABILITIES)	**2,515,271**	(87,147)
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,148,497**	13,897,387

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

	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**3,173,058**	8,100,558
Derivative financial instruments	**–**	24,557
Net assets	**5,975,439**	5,772,272
EQUITY		
Share capital	**5,297,254**	5,297,254
Reserves (note)	**678,185**	475,018
Total equity	**5,975,439**	5,772,272

Peng Jiahong
Director

Wang Wenbing
Director

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

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Hedge reserve RMB'000	Retained profits RMB'000	Share-based compensation reserves RMB'000	Total RMB'000
Balance at 1 January 2023	**33,302**	**(139,630)**	**569,308**	**12,038**	**475,018**
Profit for the year	**–**	**–**	**667,484**	**–**	**667,484**
Other comprehensive income for the year:					
Cash flow hedges, net of tax	**–**	**126,606**	**–**	**–**	**126,606**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**1,059**	**1,059**
Dividends	**–**	**–**	**(591,982)**	**–**	**(591,982)**
At 31 December 2023	**33,302**	**(13,024)**	**644,810**	**13,097**	**678,185**
Balance at 1 January 2022	33,302	(6,787)	588,050	11,596	626,161
Profit for the year	–	–	559,770	–	559,770
Other comprehensive loss for the year:					
Cash flow hedges, net of tax	–	(132,843)	–	–	(132,843)
Recognition of equity-settled share-based payments	–	–	–	442	442
Dividends	–	–	(578,512)	–	(578,512)
At 31 December 2022	33,302	(139,630)	569,308	12,038	475,018

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2024.

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

COMPANY'S WEBSITE :
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